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RUSSIA TODAY

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THE DETERMINATION OF WAGE-RATES

Editor-in-Charge

THOMAS WARNER MITCHELL

THE AMERICAN INTERVENTION IN HAITI AND THE DOMINICAN REPUBLIC

By

CARL KELSEY

THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE

39TH STREET AND WOODLAND AVENUE

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Russia Under the Bolsheviks

By MARGUERITE E. HARRISON

Soviet Prisoner and Russian Correspondent for the Associated Press

THE motive that inspired my trip to Russia was the feminine trait of curiosity. I wanted to see what was going on there. I entered the country illegally after I had been turned down by the representative of the Soviet government in New York, crossing the Polish front and spending two weeks with the Red army, without the knowledge of the Moscow Foreign Office. In view of these facts, I richly deserved what happened to me.

During my stay of eighteen months I came into close contact with all kinds of men, leaders and others. I saw what was going on. I saw what the Bolsheviks were doing and what they were trying to do in Russia. I spent two weeks in the western provinces. I lived with the Red army and slept in peasants' houses, and I talked a great deal with the common people. Then I went to Moscow. When I reached there, I immediately began to act as a correspondent for the Associated Press and continued to do so for eight months. During that time I met many people of prominence. I also traveled through the heart of the present famine district. Then I went back to Moscow, and in October of last year I was arrested and put in prison where I stayed for ten months—for eight months in one of the most severe prisons in all Russia. I got myself into it and I have never blamed the Soviet government for what happened to me.

I came into Russia at a particularly interesting time, the first of February, 1920. At that time there was an unofficial armistice with Poland, and the Soviet government was hoping there

would be peace in the spring. As a result of this hope, there was a decidedly more liberal tendency among the Communist leaders. They had abolished the death penalty—by a decree issued on January 30, 1920. They had also deprived the Extraordinary Commission of its absolute powers and had declared that all political and counter-revolutionary cases should be brought before the revolutionary tribunals.

At this time, too, the various independent political parties in Russia were very active. The Mensheviks were publishing a bulletin, holding meetings, even securing members—and they were not interfered with. The same was true to a certain extent of the Social Revolutionaries, who are particularly strong among the peasant population. All these activities were more or less tolerated. There was not the atmosphere of repression and suspicion that I found later. This unusual liberality was due to the fact that the Soviet government had already made peace with Esthonia, and, as I said, expected to make peace with Poland. Its leaders were thinking more about economic reconstruction than repressive measures.

When the Polish offensive re-opened, the death penalty was put in force once more and the opposition political parties in Russia agreed to abandon all propaganda against the government during the period of hostilities. In addition, a number of Imperial Army officers entered the new army to fight against Poland. Among them was General Brusilov, with whom I was thrown much in contact during my stay in Moscow. During the Great

War he was in command of the Eighth Army, conducting the Galician offensive, and gained the only substantial successes made on the Russian front after the East Prussian advance in 1914. General Brusilov is inclined to favor a constitutional monarchy or a democracy of the French pattern for Russia, and yet he hated the Poles so much more than he did the Bolsheviks that he offered his services to the Soviet government. There were a number of others just like him, who, though out of sympathy with the Communists, were enthusiastic in coöperating with them against the Polish offensive.

So that is what intervention did in this case and what it has always done: it helped to consolidate and strengthen the military dictatorship of the Communist party, first, by arousing nationalist sentiment, and, second, by giving the Bolsheviks some justification for maintaining their system of repression and an excuse for their economic failures. The Polish invasion set back the evolution of the Revolution at least a year.

COMPLETE POLITICAL DOMINATION BY THE BOLSHEVKS

When in Russia I attended various public meetings, among them those of the Central Executive Committee, the Moscow Soviet and the annual convention of the Communist party. The Central Executive Committee is composed of two hundred men and is the real governing body of Russia. The All Russian Council of Soviets meets only twice a year and consequently many important matters must come before the Central Executive Committee, which issues all the decrees from the basis of the Soviet administration. The Communists, who are really a small fraction of the people and are a minority even among the Soviets themselves, have a most powerful party

machine. The following is an instance of their steam-roller methods.

The Central Executive Committee in May, 1920 was called on to consider Lord Robert Cecil's proposal to send an investigating commission to Russia. Before this proposition came up before the Committee, I talked to many of the more liberal Communists, who expressed themselves as being in favor of permitting the visit of the commission. Also there was a general sentiment among the non-partisans that it would be an excellent thing. When it was announced that this matter would be debated and that the public would be admitted, I went to the meeting, thinking it would be of great interest. Much to my surprise, out of the two hundred members of the Executive Committee there were only forty present. No one seemed to take any interest. The meeting did not begin until after seven, though it was scheduled for six o'clock. Finally Chicherin, Commissioner of Foreign Affairs, appeared on the platform and announced: "There has been a meeting of the Central Executive Committee of the Communist party and we have drawn up a reply to Lord Cecil's note for your approval." Those present held up their hands in obedient approval and the meeting was dismissed. The same thing was true of the meetings of the All Russian Council of the Soviets. Committees were formed. If they did not act as the leaders desired, they were dissolved and other committees formed—more obedient.

Organized labor in Russia is not by any means overwhelmingly pro-Bolshevik. Many trade union members are Social Revolutionaries and Anarchists, or belong to the Mensheviks, or minority faction of the Marxists. The Mensheviks were in majority last year in the Printers' Union. They struck; whereupon the union was promptly dissolved and reorganized with a major-

ity of Communists on its committees. There was the same tendency to party dictatorship in the All Russian Council of Trade Unions, which includes all the unions in Russia, twenty-three in number. It has an executive committee of fifteen members. In the spring of 1920 nine of those members were opposed to Trotzky's scheme of placing the factories under one-man control, and they were notified that they must change their policy. There was a very bitter dispute about it but it was done. These examples illustrate the complete political domination of the Bolsheviks. For this state of affairs, the blockade and intervention have been largely to blame. It would have been impossible if Russia had earlier been brought face to face with the problem of economic reconstruction; but continuous warfare has made it very easy for the Communist dictatorship to retain its hold.

I obtained a very clear idea of the trend of events in Russia from the character of the prisoners with whom I was thrown during my ten months in prison. Most of those people were not counter-revolutionists or spies, but Socialists. Nearly all important members of the opposition Socialist parties are at present put in prison because Lenin is not afraid of Cadets or Monarchists—those issues are dead in Russia—but he is afraid of the democratic and opposition Socialist elements. (I do not think there is any possibility of the reactionary government's ever coming back in Russia. It is very clear that the general trend of popular opinion is in favor of a democratic form of government with some Socialistic features.) There were a great many Anarchists, also, in prison with me last year. They are heartily hated by the Communists as opponents of bureaucratism and centralized government.

THE SOVIET AND FORCES OF THE FUTURE

With all its faults, however, the Soviet government has filled a necessary function. It is an inevitable stage in the evolutionary process which is going on in Russia. I think if it should be abolished at the present time Russia might lapse into a state of anarchy, for the vast majority of the people are as yet unripe for representative government. One constructive piece of work being carried out by the Soviet government is the inauguration of a uniform system of universal compulsory education. This, I believe, will last under any government which may evolve out of the present situation. The Soviets are educating the people through the army and through a very wonderful public school system which will eventually give to every child in Russia a splendid education—and all absolutely free. They have got away from very many fads and unsound theories which they attempted to put into practice in the early days of the Revolution.

You will find that the peasants who are now being educated in Russia will soon begin to formulate distinct political opinions, something which they have never done up to the present time. When they learn what Communism stands for, they will immediately turn against the Soviet government because they want the possession of the land. As far as they are concerned they have abolished feudalism and gained the right to own their farms. This, to them, is what the Revolution represents and they will never favor any party with eventual nationalization of land as its goal.

Russia is now for the first time since 1914 face to face with the problems of post-war reconstruction. It will be impossible for many years for her to

build up her industries sufficiently to supply her own needs. Russia must rely for her future prosperity on the exploitation of her natural resources and agrarian production. It is very plain that when the time comes for Russia to settle down, whatever government there is must have the good will of the peasants. And no government which aims at abolishing all property rights will have that good will. At present these peasants are controlled by a military despotism, but I firmly believe if they receive support from the outside world, such as is coming from the American Relief Administration and from the re-opening of trade relations with other countries, they will be able, peacefully, to bring about radical political changes within the country. This is the opinion of thousands of Russians who are of no particular political party, and who have lived and suffered throughout the whole thing. You will find them in every administrative office in the government and they are almost unanimous in agreeing that it is better to let the Soviet government alone and Bolshevism will eventually disappear of its own accord. This is my own opinion and I think it is substantiated by the large majority of the intellectuals in Russia.

I have no space to give you any idea of what is going on in Russia in the way of normal life among the people, the wonderful theaters, the musicales, the workmen's theatrical clubs, and the interesting literary and artistic works that are being produced under enormous difficulties. The Soviet government encourages and appreciates all such movements and coöperates as far as possible with all who are doing constructive work in science, literature or art. In many cases much of

this work is being carried on by intellectuals who have long wanted to carry out certain theories and had no opportunity to do so under the Imperial government. This is particularly true of those engaged in educational experiments.

In Russia at the present time people are married and divorced very much as they are in any other country. In Moscow I went to a large church wedding with bridesmaids, best man and ushers, just as we have here. I attended a concert in the War Office, under the eye of Trotzky, which had been organized for the dependents of the employes. It was followed by a ball at which we danced till early morning. I went to meetings where groups of poets read their latest compositions. I found them delightful companions in spite of the fact that they were all living under material conditions that made life one long scramble for food, fuel and clothing. I also attended many delightful concerts, went on picnics during the summer, week-ended in peasant villages, went to art exhibitions, studio teas and many other pleasant social functions.

I cite these instances because I wish to point out that in spite of seven years of war, famine and suffering, the Russian people are still intensely vital, extraordinarily normal and able, if the other nations of the world will give them the chance, eventually to create for themselves, within their own country, a form of government which will retain the good and eliminate the evil brought about by the Revolution. But this end must be reached through an evolutionary process, and one of the most important factors in such an evolution will be ending the moral and physical isolation of Russia.

The Evolution of New Russia

By PAUL MILIUKOV, LL. D.

Formerly, Minister of Foreign Affairs of the Provisional Government of Russia

IT has been often said that there can be no peace if there is no peace in Russia. And the first question which you probably would like to ask me is whether there ever will be peace in Russia. For four years you have been accustomed to a state of never-ending civil war—people killing each other with no results at all but a continuation of the same wretched régime. When will the end come? Of course, nobody can foretell the whims of history. But history has also its general lines of development, and we can see more or less definitely that particular line which is now developing in Russia. We can judge of it by certain facts and try to make clear the meaning of these facts. We can draw conclusions and make comparisons, and that is the basis on which my discussion will be founded.

The first point that I should like to impress on you is that in Russia we have a real revolution, a process working in the large popular masses, a great change of mind which is now evolving as the result of this process. It is probably impossible for a nation to pass from the stage of medievalism to a higher level of existence without some kind of violent overthrow: such was the case with Great Britain and France. Russia had also to pass through her revolutionary period, and four years are not too many if you compare them with the stages of development of other revolutions. The French Revolution lasted for ten years; the first five years were the ascending movement, while the following five represented the descending movement. To make use of the comparison, we are now just approaching the turning

point in the process of Russian revolution. The Bolsheviks are at the end of their rope and there is no hope of their existing much longer. I cannot tell you all the reasons for this conclusion, but they can be summarized under two headings: the state of mind of the population and the destruction of the economic basis of existence.

THE STATE OF MIND IN RUSSIA

The general hatred against the Bolsheviks in all classes of the Russian population is the chief political result of four years of their rule. The Bolsheviks began by enlisting the people and outbidding all their competitors, and the nation believed them. The masses have now learned to know that Bolshevik promises are no good and that nothing can come out of them. The working men have become the chief enemies of Bolshevism because nothing has remained not only of such privileges as the working man received from the Bolsheviks but of the greater part of the privileges which he had before the Revolution. Labor is militarized now, and no workman has freedom to choose his place of work or his occupation. He must go wherever he is sent by the central authorities and he has to work as much as he is ordered. The eight-hour day which was introduced by the Russian Revolution does not exist any longer as a legal statute. The workman is obliged to work, if necessary, for ten, eleven or twelve hours a day. He has also to work on Saturday. If he neglects his work and does not do enough—and he is rated by piece work now—then what he has not done during the week-time he is obliged to do on Sunday.

It is still worse with the class of Russian farmers, those farmers which are the great majority of the Russian people—eighty-five per cent of the total population. From the very beginning they were looked upon as “small bourgeois” and the enemies of the “proletarian” revolution. There was no special reason for protecting their interests. It has been frequently said that the peasants got land from the Bolsheviks. That is not quite exact. The peasants had themselves taken the land from the landowners a few months before the Bolshevik victory. It is stated in the Bolshevik program that land must not be given to individual peasants. If the peasants are still in possession of that land, it is not because the Bolsheviks were strong enough to give it to them but because they were too weak to take it from them.

However, the Bolsheviks were obliged to take from the peasants their grain. They were forced to it because this was the only means for them to feed their army (which consists of from 600,000 to 1,000,000 gathered by conscription). They had also to feed their new Red bureaucracy, which, in consequence, has very much swollen in numbers, because everybody in Russia must serve under the Bolsheviks in order not to starve.

How did the Bolsheviks get food from the peasants? The peasant was ready to sell his grain for manufactured goods. But there were no more manufactured goods in Russia, as all industry had been killed. Why then should the peasants give their grain to the artisan population? The Bolsheviks decided to send armed detachments to the villages in order to take the grain from the peasants by force. The peasants stopped sowing and concealed their stores of grain. Then extreme measures were applied. Last

year everything the peasants had was taken from them. That is why you have now that desperate state of want in the famine-stricken area. Of course, one of the causes of the present famine was the dry season. But dry seasons occur regularly, while never has there been such a famine as there is now in Russia. The chief reason is that no stores of grain remain and there is nothing to fill up the gap left by this year's bad crops.

The result of all this is that the people, both working men and farmers, are exceedingly dissatisfied with the Bolshevik régime. There are always some uprisings in some corner of Russia. But, of course, they are not organized and the Bolsheviks have always been able to send their “Jani-zaries”—selected detachments of the Red army—in order to stifle these local upheavals. Yet they testify, nevertheless, that the Bolsheviks do not hold the confidence of the popular masses.

ECONOMIC FAILURE OF THE BOLSHEVIKS

Another reason to believe that Bolshevism is reaching its end is of still greater importance. This is the lack of economic basis for its further existence. The whole power of the Bolsheviks over selected groups of the Red army and Red bureaucracy is based on ability to give them food. But, as I have said, it is becoming more and more difficult to procure that food because the peasant stores are exhausted. Moreover, famine has become endemic in Russia.

You may ask me: If the Bolsheviks are going to fail, who will take their place? Different answers have been given to this question. Some people say there will be a reaction and Russian Monarchists will try to bring back the former order of things. That

kind of issue is eliminated by experience. During all these four years Russian Monarchists have been working to introduce the former order of things. But such attempts have only brought about the complete failure of armed struggle for Russia's liberation. The so-called "White armies" had considerable military success in the beginning, but invariably a great change would come, a hasty retreat and then evacuation. This is explained by the attempts of these White armies to introduce in Russia the former state of things. They brought with them former landowners and former administrators and as soon as the peasants saw these they changed their minds, deciding it would be worse than Bolshevism.

Of course, there are still some groups of former officers of the "White armies" who are being organized and helped with money, particularly by German reactionaries. Their aim is, as before, to make use of Russia for their own economic restoration. However, even if they should succeed in taking some part of Russia, the attempt would not amount to much because of the aforementioned state of mind of the Russian people. The masses would never submit to the reactionaries and this would only prolong the Revolution.

NO POSSIBILITY OF REVERSION TO ANARCHY

Some people say there is yet another possibility. Russia, if not made monarchist and brought back to its former state may revert to anarchy. Mr. H. G. Wells is responsible for that judgment and Mr. Lloyd George for repeating it in the House of Commons. Both, I think, are very much mistaken.

It is wrong to think that all the intellectuals in Russia have been thoroughly exterminated by the Bolshevik terror and that nothing is left beside an

amorphous mass of uneducated and unawakened people, unable to act politically. To prove that this is wrong, I will quote a fact universally known, the story of the Moscow Non-Communist Famine Committee.

The creation of this committee elicited such a reverberation, both inside and outside of Russia, that the Bolsheviks became frightened. Provincial branches of the Moscow committee sprang up everywhere and began to be regarded by the population as the organs of a new administration, intended to take the place of the Bolshevik organizations. Finally, the Bolsheviks decided to put a speedy end to an experiment which proved so dangerous for them.

You can see from this fact that even at present Russia is not a desert and that elements of organization can still be found wherever you go. You may find everywhere, by the side of destruction and ruin, germs of new life. Under that heavy cloak of Bolshevik uniformity Russia is alive and not dead, in spite of all her miseries and sufferings. You can see, therefore, how mistaken is the view that a state of anarchy and chaos is bound to follow when the bonds of Bolshevik power are removed. Elements of new power, the nuclei of new governmental structure, are to be found everywhere in the country and they can crystallize at any moment as liquid crystallizes under a certain degree of temperature.

Thus Russia will not return to monarchy and will not become anarchist. The two extremes, Red Bolshevism and Black reaction, are made impossible by history. Russia will be a great democracy. There are middle groups which are united and which work together to bring about that great result of the Russian Revolution.

Russia will be a federated republic. You know that Russia is now dismem-

bered. A number of border states have been built out of Russian territory. They will not come back if Russia attempts to dominate them as before. They can be brought back only on the basis of a free and friendly agreement under a new form of federative government. Of course, such an arrangement is not easy. The example of Mr. Lloyd George in Ireland shows how much small nations appreciate their independence and how much they are opposed to even the loosest forms of reunion. But there are certain geographical and economic ties which have united all parts of former Russia for centuries and which will bring them back together if national freedom and autonomy is fully secured. From a "colossus on feet of clay," an empire of the Eastern style, Russia will be transformed into a living compound of national and regional units, having come to a compact on the basis of equality, freedom and federal unity. Thus Russia will be healed of what was one of the chief causes of her constitutional weakness.

The new union will, of course, be loose in the beginning. But we have the example of America. In Philadelphia, in the summer of 1787, there first met an assembly which worked out the basis of the present Constitution, and you may recall how exceedingly difficult it was at the beginning to build one united nation. Now we see that great united nation before us. Russian history will develop in the same way and bring about the same achievement.

CONTRIBUTION OF A RUSSIAN REPUBLIC TO INTERNATIONAL PEACE

Now one question more: If Russia becomes a democratic and federated republic, what can Russia contribute to international peace? My answer is, in the first place, that the Russian people are naturally peaceful. You

may conceive that tendency of the Russian people if you think of your own Middle West: a territory which has no boundaries, no neighbors of foreign origin, and which has little to do with foreign politics. In the second place, there are in Russia no reasons for imperialism. What was the basis of this tendency in Germany and now in Japan? Over-population and over-production. These conditions do not exist in Russia. There is no over-population in Russia, no over-production of goods. The Russian people are in need of foreign capital to assist them. They have all necessary raw material at home, just as you have in America. Their huge continental block has resources sufficient to feed itself and to produce goods for itself; no matter how many goods it might produce, they would still not be sufficient to fill its own expanding market. So Russia has practically no reason for wishing to possess colonies or for adopting a colonial policy.

It must be said, also, that Russia is a young nation, practically as young as America. It would be wrong to represent Russia as an old country with an old population. There are centers which are very old, which have been settled since time immemorial, but they are only the nuclei of present Russia. The largest part of Russia was settled at nearly the same time as America, in the sixteenth and seventeenth centuries. Its population which extends to the Far East is the result of that large stream of Russian settlement to the east. It is only since the seventeenth century that Russia has begun to settle Siberia and the process of settling Siberia is still going on at a rapid rate. In 1897, the population of Siberia was 9,000,000; in 1915, it was 14,000,000. Of this, the white population in 1897 was 5,000,000, and in 1915, 10,000,000—just double. If you will take only the eastern part of

Siberia (the part discussed at the Disarmament Conference¹ in Washington) you will see that in the same eighteen years the white population has increased almost five-fold. And it has not by far reached its natural degree of density.

Let me add a few words to show how much we Russians are interested in the Washington Conference. We are not imperialistic, but we may have a conflict with a power which we do consider imperialistic, and that is Japan. It is a conflict which will not originate in aggression on our part but which will result from such tendencies on the other side. During the time of our absence from the international tribunals, Japan, making use of our temporary weakness, took possession of certain parts of Russian Far East which do not belong to her and which are occupied by white population. The Japanese took the northern part of the Sakhalin Island. They took, also, the seashore opposite with a very good bay, De Castries, where they are now building a harbor. They took a town which dominates the estuaries of the Amur River—Nicolayevsk. Going still farther northward they took from the Russians the fishing grounds in the Okhotsk Sea and in Kamchatka. In that way they try to stop the Russian colonization on the Pacific Ocean. These colonies are the only white population in that region and form a kind of white girdle, uniting Europe with the Pacific. If this advance of the white race on the Pacific Ocean is precluded, Russia, in case of necessity, will be unable to extend her hand to America across the Pacific.

¹ Conference on the Limitation of Armament. Washington, D. C. November 11, 1921.

AMERICA'S SYMPATHY WITH RUSSIA'S EVOLUTION

The policy of the United States toward Russia at this hour of her trial is so noble and unselfish, that we Russians believe that nothing can ever destroy the American-Russian friendship. In a series of declarations, America defended the principle that the interests of a nation must not be impaired in the temporary absence of its government. And if the foundation for universal peace is to be preserved, a country like Russia cannot be neglected in her vital interests.

The Russians appreciate deeply this attitude of the United States. In the War they sacrificed 7,000,000 men for the common Allied cause. In spite of the fact that Bolshevism is the result of Russia's exhaustion in the struggle for the common cause, there were some who dared to call her traitor, after she unwillingly abandoned the battlefields on which many times during the War she had saved the European democratic civilization. America alone was never heard to make or support such unjust statements. This fact may further explain Russia's friendship and respect for America.

Russia has never had such a famine as she has now. Millions there are dying. But again the Americans are at hand, the only ones, to save the lives of these millions. Down to the last peasant in the remotest corner of Russia the population knows and appreciates this. We feel this is the greatest hope for friendship between the two great democracies, for we believe that Russia will be a great democracy and will deserve a place at the side of America.

Russia in the Fabric of International Finance

By ARTHUR BULLARD

Director of the Russian Division of the Committee on Public Information during the War and, subsequently, Chief of the Division of Russian Affairs of the Department of State.

IN meeting the situation in Russia, I have a suggestion I should like to offer for your consideration—in the same way that Nero used to toss Christians to his lions.

We cannot foretell the course of events in Russia. It may be that the more extreme Communists will hold the control of the Soviets for a long time, and they do not wish to do business with the rest of us in less enlightened parts of the world. As long as they are in power the suggestion I wish to offer is meaningless.

Those who have recently been in Russia talk of "an evolution towards the Right." This is also a possibility, provided Lenin is able to win support from among those he has persecuted and proscribed. He has already done many surprising things and he may be able to build up a political machine of people who are more loyal to his person than to his original theories. "The drift towards the Right" may continue until the Soviets are no more hostile to the rest of the world than are the occasional Socialist governments of Scandinavia.

There is also the possibility of a violent overthrow and the organization of a new government on the basis of a definite break with the communistic tradition. Those who have recently been in Russia feel that this is the least probable of these three possibilities. But I do not think that we can ignore it. The old sword makers of Damascus, in the days of the Khaliphate were in the habit of etching on the blades they made, the Arabic proverb: "Who draws the sword, dies by the sword." There are a tremen-

dous number of blood feuds in Russia—so many that I find it hard to believe in peaceful evolution, however desirable it may seem.

By whichever road events travel, we may assume that sometime—in the fullness of time—there will be a government in Russia which wants to do business with the rest of the world and with which we shall want to do business. I now venture a prophecy—that government will be broke! There will be no cash in the treasury, no income from taxation, no large imports on which to levy tariff duties and, worst of all, no credit.

Such a new government would have to spend money. Even if the Archangel Gabriel should accept the premiership he could not maintain himself in office without funds. The manifold ameliorations which would immediately be required would be costly. Suppose such a government should arise in Russia this winter. It would be faced by the tremendous expenses of famine relief—and there is no money at hand.

Lenin and his friends, in the first days of their power, before hard times had made it fashionable to talk of giving up their theories and "swinging towards the Right," set out with definite intent and remarkable success to make difficult a capitalistic restoration. They were not nearly so worried over a return of the Tsar as they were by the "intrigues of international financiers." All their financial decrees and policies were intended to erect a barbed wire entanglement against the attacks of capitalism. The dilapidation of capital assets, the dispersal of

the national gold reserve, the discredit which frantic printing presses have cast on currency, the repudiation of all foreign debts, have created a situation of exceeding difficulty for any future Russian minister of finance, who wishes to bring his country again in touch with the common economic life of the world. Without any available cash, a new government in Russia will be utterly hopeless unless it can very speedily get credit.

Financially, Russia is bankrupt. But looked at from an economic point of view, she has better bases for credit than most of the European countries now in our debt. In comparison, Belgium, for instance, is like a skilled artisan who has a steady job and a fixed income. There is a very definite and limited amount which he can save, over the imperative demands of consumption, to pay off the debts he owes. Russia is like one of our frontiersmen, who has just taken out a quarter section and who, by merely cutting down the trees, will double and triple the value of his land and has also a chance to uncover a gold mine or strike oil.

Our own financial history—after the Revolution and the Civil War—shows that the way to pay off debts is to open up new and undeveloped resources. It is in tapping virgin territories, by driving transcontinental railroads, by opening mines, that money is made rapidly and easily. Russia today is in a position very similar to that of the United States at the beginning of our industrial development. We had a vast country and considerable energy, but we were very poor. It was only by borrowing heavily from Europe to get the necessary capital that we were able to speed up our industrial development and get rich quickly. From this point of view, Russia has very much better foundations for credit than the more highly

industrialized countries of western Europe. They are already fully capitalized; but Russia's earning capacity, her ability to produce more than she consumes would be tremendously increased by wise capital investments. Granted an equality in political stability, the undeveloped countries are very much better borrowers than those already capitalized.

This brings me to the suggestion I wish to offer for your consideration tonight. The whole fabric of international finance is threatened by the *impasse* of the Inter-Allied Debt. Any large scale repudiation or cancellation would be a death blow to "credit." If the formal "promise to pay" of great governments cannot be relied upon, we will find it exceedingly difficult to trust each other as individuals. But when we begin to discuss the payment of these debts, we find ourselves in the unfortunate position of being the principal creditor. The only possible way for the European nations to pay us is by exporting to us their surplus of manufactured goods. To pay, they must send us more than they take from us and the prospect is so terrifying that Congress rushes through an emergency tariff to protect our own industries from such dumping. We are very much worried over the fear of what will happen to the theory of credit if they do not pay us, but not so much worried as we are over the prospect of disaster if they did pay us.

Now, assuming for a moment that a government has arisen in Russia which inspires confidence, I suggest that the conversion of the present bilateral obligations into a three-corner credit arrangement might help to start again the wheels of industry.

Suppose there is a French obligation for \$10,000,000 due to us on January 1, 1923. The French cannot pay

except in industrial products which we do not want. Russia, however, needs such manufactured goods—needs them terribly. Suppose we sell that French obligation to the Russian Government in exchange for their long-term note, payable in 1953. The effect would be an immediate stimulus to French industry, because it would give French manufacturers a chance to sell the product of their factories for dollars. It would at once give Russia the purchasing power she so vastly needs. And as far as America is concerned, it would mean receiving a long-term note, underwritten and endorsed by all the undeveloped wealth from the Baltic to the Behring Sea in exchange for a short-term note which we cannot collect.

Suppose a factory in Petrograd needs machinery and its agents discover that it can be procured on favorable terms in England. The Russian Government issues its obligation in our favor for the

amount of the purchase price. Our Treasury then credits the British Debt account with that sum. The Russian importer pays his own government for the purchase in his own currency. The British Exchequer pays the exporter in pounds sterling. Once more, we trade a short-term note, which could be paid only in manufactured goods which we are determined not to receive, for a long-term note which will be paid in the raw materials of Russia.

Many other variations of such a scheme for credit conversion will suggest themselves to you. I believe that there is here a possibility for the future which warrants careful consideration. The difficulties to be overcome are obvious, but at present our whole international financial machinery is stalled. Perhaps in Russia our industrial chauffeurs will find the ingredient necessary to enrich the mixture in the carburetor and start the engine once more.

FOREWORD

THROUGHOUT the war period the cost of living was used as a basis for wage determination. The method in practice revealed many limitations. The members of the Editorial Council concluded that the best thought of the country should be summoned to the query as to what were the fundamental factors determining wages. Were they decent subsistence, an American standard of living demand and supply, productivity, differential productive or relative rating?

The council asked Dr. Thomas Warner Mitchell to lead this discussion. Dr. Mitchell, for many years before his advent into the management engineering profession, had held the Chair of Business Administration in one of our large state universities and was an indefatigable student of economics. He had long been a student of wage determination.

The plan of that portion of this volume which is devoted to bases of wage determination is as follows: In the first section are assembled a few

articles descriptive of noteworthy specific plans of wage-rate determination and adjustment that are in actual operation in a few industrial plants. We earnestly recommend that the reader peruse this section, particularly Mr. Becvar's article, before reading the second section. The latter, devoted to a discussion of basic principles, consists of a detouring article by Dr. Mitchell, followed by discussions from four economists, two leaders of organized labor, and one management engineer. The third section deals with the problem of seasonal and cyclic unemployment.

The value of this discussion is twofold: (1) It re-examines the foundation of the living-cost and living-standard bases of wage determination. (2) It directs general attention to a method of valuing operations and determining wage-rates that, applied rather crudely as yet, is just beginning to be used but may later come to play a very important rôle.

CLYDE L. KING,
Editor.

A Method of Grading and Valuing Operations

By FRANK J. BECVAR*

Production Superintendent of the Clothcraft Shops of the Joseph and Feiss Company

ALL operations in our tailoring departments at the Joseph and Feiss Company are on a piece-work basis. Those in the cutting department are on a premium system.

The process of arriving at a piece rate for any specific operation involves three main steps, viz.: (1) determining the best method and standardizing appliances and conditions; (2) determining the best rate of output that can reasonably be expected of an operative who is adapted to the work and fully skilled in performing it, by the method chosen; (3) determining the value of such work per hour or per forty-four hours when performed at the standard rate. The piece rate is arrived at by dividing the hourly rate thus determined by the rate of output.

For instance, if we decide on the basis of careful time studies that in operation A the standard rate of performance under the specified conditions, with the specified appliances and the like, is to perform this operation on twenty-five garments per hour, and that the value of this work at this rate of performance is \$1.25 per hour, the resulting piece rate is 5c per garment or \$5 per one hundred garments. In like manner, the performance standard on operation B may be seventy-five garments per hour and the determined value of such work 90c per hour, which results in a piece rate of 1.2c per garment or \$1.20 per one hundred garments.

* *Note.*—In preparation of this article I wish to acknowledge the assistance in presentation given by Dr. Thomas W. Mitchell as editor, and, also, the collaboration of Mary Hennan, Supervisor at the Joseph & Feiss Company.—F. J. B.

Determining the performance and time standards is a technical process involving detailed elementary time study, standardization and control of operating conditions, appliances and methods, application of delay and fatigue factors and the like, an explanation of which is not important for the purposes of this article.

The illustration of the two operations cited above exemplifies two important problems that are involved in the valuation of an operation. First, there is the relation of one operation to another as shown by the fact that the one is valued at \$1.25 per hour, the other, at 90 cents per hour when both are performed at the standard rate: the former is valued 35 cents an hour or *38 per cent more than* the latter. Second, there is a relation to the general wage level represented by the fact that these two rates are \$1.25 and 90c rather than \$1.75 and \$1.26 or 75c and 54c or any other pair of rates in the same proportion. The same discussion of these two questions with reference to grading of piece work operations will also apply to the other operations for which there are valid production standards.

Among the factors that determine that the rate for the one shall be 38 per cent higher than the rate for the other are the factors of skill and the time required to learn the operation.

THE FACTOR OF SKILL IN RELATIVE VALUATIONS

Skill is something which we all talk about but for which there is no standard definition. And it is difficult to

define. We consider that it has reference to the following elements, viz.: (1) the character of the work elements that compose the whole operation, particularly the care with which they must be performed in order not to impair the quality of the product, together with the worker's required knowledge and ability not only to judge effects after they have been produced but to *foreknow* them; (2) the complexity of the motions; (3) variation and complexity of the whole operation; (4) the type of operative that is adapted to the operation and the experience that he must have had in the organization in order to be properly qualified for the operation in question. An excellent example of this first element is in hand pressing, where the operative must be able not only to recognize the quality of the effect he has produced, but to pre-judge this effect on each kind or texture of cloth and thereby know how to treat it.

In determining the character and complexity of the motions that compose an operation, and the complexity of the operation as a whole, the careful analysis made by the time study observer is extremely valuable. The experienced time study observer is able to grade the elements from the character of his readings. The greater the number of difficult elements in the whole operation, the higher the grade.

A good comparison to illustrate the meaning of the third element is the comparison of the relatively short, simple and uniform operation of sewing wigans or rectangular silesia pieces onto the bottoms of coat sleeves to stiffen them, with the lengthy, very complex and variable operation of "pocket making" in which the operative must know how to put in all kinds of pockets—flap, horizontal welt, vertical welt with inlaid facing, slanting

welt, crescent shaped pockets, piped edges, patch pockets and the like.

Finally, some operations are of such character that the operative is not properly qualified to perform them unless he knows the work that has gone before or that is to follow. Several years' work on other parts of the garment making process may be required of an operative before he can acquire the knowledge and understanding needed for the operation in question. General experience with operations as performed under the general conditions in the organization may also be essential. Furthermore, even without such versatility, some operations involve a longer training period than others before the operative can come up to the standard rate of performance.

Thus skill, as above defined and judged, and the length of time normally required to bring the operative up to full proficiency in the given operation, inclusive of the time required to learn operations that lead up to it, are the factors that govern the relative valuations of the various operations. On this basis all operations are divided into grades known as classes. The values of these classes progress with a common difference of 5 or 10 cents per hour from the operations of the lowest to those of the highest class.

This difference of 5 or 10 cents per hour between adjacent classes has a practical significance. It is large enough to constitute a sufficient inducement to operatives on one class of operation to seek advancement to the next higher class. With a smaller difference the added earning power often would not be considered worth the trouble of learning operations in the next higher class.

Furthermore, this careful classification of operations enables us to offer prospects of an attractive career by our adopting a policy of recruiting new

employees only in the lowest classes and filling all personnel needs in a higher class by advancement from a lower class.

RELATIVE GRADATIONS FROM GENERAL WAGE LEVEL

Now comes the second question, namely, that of the wage level. We establish starting rates in the lowest classes that aim to afford, for the type or grade of employe wanted, a reasonable subsistence which takes into consideration the prevailing rate in similar industries in the locality and is sufficient to attract the grade of worker wanted in sufficient numbers. This subsistence rate is the employe's guaranteed rate, no matter what his piece-work earnings are. We determine the piece rates in these lowest grades so that when the operative comes up to standard he will earn from 25 per cent to 33½ per cent more than this minimum. This establishes the lowest class. The differential of 5 or 10 cents per hour per class does the rest.

We also obtain a basis of check upon this process at the top of the scale. By the time we arrive at that type, we have employes of such length of service, variety of training and versatility that they compare favorably with the most skilled craftsmen in the industry. Naturally their wage-rates must also compare favorably.

All new operatives are put through a course of training in our vestibule training school and commence work in the lowest classes of operations. This is done whether or not the newcomer has been classed elsewhere as a "skilled craftsman." For no matter how "skilled" he may be under the almost universally prevailing method of conducting work in the clothing industry, he is not skilled in working by our standard methods, under our plan of performance standards, nor is he in-

structed in and filled with the spirit of our plan of organization. However, if he *does* come to us a skilled craftsman his progress will be vastly more rapid than otherwise; he will consume only weeks or at most months in progressing to the grade of operations in which he has been rated as skilled as against years without such previous trade experience.

Any plan of wage-rate determination must, in order to be satisfactory, satisfy the workers affected on two questions that they raise either explicitly or unconsciously, viz: (1) Are the earning rates sufficient? (2) Are the various rates fair, relatively, one to another? The question of sufficiency refers not merely to what is needed for living but to other rates for the same grade of work in the community. The question of fairness involves such ideas as "equal pay for equal work," "more pay for harder work," and the like. We believe that our method of determining and adjusting wage-rates yields satisfactory answers to these questions.

Particularly is this true because we do not impose any determination or adjustment by arbitrary methods. We systematically review our classifications four times a year. We consider every operation and maintain or advance its class according to careful weighing of its contents. We drop an operation to a lower class whenever the operation itself has been changed so as to include a smaller proportion of the more difficult and valuable work elements. We submit to a wage committee and to the operatives affected, our revisions with our reasons in advance of the pay period in which they are to go into effect; this gives the operatives time and opportunity to consider them and protest if they deem the revision wrong. Any such differences of opinion are carefully threshed out with the employes through

their representative and the Employees' Council. Lowering the class of an operation occurs with great infrequency. When this is done, opportunity is sought to advance the operatives so affected to a higher class so that their earnings will not suffer. We have never yet been able fully to man the operations in our highest classes.

In the above we have been discussing basic wage-rates, their determination and adjustment. These are supplemented in our factory by bonuses. There is a daily production bonus which is paid to each operative who maintains his output at the standard rate; a daily quality bonus which is paid to each operative who avoids rejections for defects of workmanship; a daily attendance bonus that is paid to each operative whose attendance for the day is perfect and who reports for work on time at the beginning of the next work day and a daily length of service bonus that is graduated according to the number of years the individual has been in the company's continuous employ.

INTER-FACTORY VALUATION PROCESSES

This process of analyzing, classifying and relatively valuing operations within a factory should also be applicable to operations in different factories and different industries. Two things are requisite in such application, viz: (1) The performance standards must be

determined by similar methods. (2) The analyzing, classifying and valuing must also be accomplished by similar methods. In other words, these processes must themselves be standardized.

Furthermore, when it comes to relatively valuing processes in different factories and particularly in different industries, at least one additional factor must be taken into consideration, namely, the degree of unemployment hazard. Degree of exposure to personal injury and to health deterioration are also factors. The latter may vary within the factory as well as from industry to industry.

In conclusion, while the extension of this process of analysis and classification to the comparison of work in different industries undoubtedly is desirable, it may not be practicable at the present stage in the development of industrial management. In altogether too few plants and industries have there been carried on the careful scientific analysis and study of processes, the standardization of work-content, appliances, conditions and methods and the determination of performance standards that must be the foundation of such classifications. The more rapidly plants in all industries come to this basis of management and analyze, classify and relatively value the various operations *within* the plants, the more rapid will be the progress toward valid classifications and relative valuations of processes *between* industries.

Analyzing, Grading and Valuing Operations in a Modern Manufacturing Organization

By A. B. RICH

The Dennison Manufacturing Company

THE following is a description of the procedure followed by a Massachusetts corporation in wage determination. So much of the plan is dependent upon the company's policies and the conditions of work provided, that it is impossible to judge as to its merits without some portrayal of these two factors. The determination of wages of foremen and other members of the management involves special consideration, so this article will deal only with the plan followed in regard to factory and clerical employees.

The factory itself is highly organized. By this is meant not so much that there is an extreme subdivision of labor, as that a clean-cut definition has been made of the responsibilities of the management, of its various members, and of the responsibilities and the nature of the work of each of its employees.

For the most part production is planned by members of the organization who have been trained in this function of management, thus leaving the foremen and his assistants more free to attend to problems of personnel. As a consequence, working conditions are much more attractive than they are apt to be when the planning of work is left to the foreman and his assistants. In the majority of operations, methods of work have been most carefully analyzed and the details of the jobs are specified, as are also the working conditions and materials. The tools, equipment and materials described in the specifications are so far as possible the best obtainable for the task and the product, and it is "somebody's job" to see that all these requirements are

according to standard, and provided in the place and at the time they are needed. The practice of issuing job tickets with these specifications and instructions for all work done, is accepted as a principle, and is being extended as rapidly as possible throughout the organization.

There are limitations, of course,—in human ability, in the planning operations and in materials provided. There is the "innate perversity of inanimate things"—no one realizes this better than the engineer who makes it his work to reduce these limitations in some measure. But the extent to which work and working conditions may be improved by men trained in research in various fields is far beyond the average practice of today.

This company has built up its business on a reputation for a fine quality of product, and this tradition of quality has influenced general working conditions in the plant to a marked degree. The neatness and comfort of work rooms and the type of people in the company's employ are such as would be expected in consequence of this insistence upon quality during a great many years' operation.

THE COMPANY'S PERSONNEL POLICIES

For the past twelve years this company has been striving to prevent seasonal employment with the consequent "lay-off" of employees during dull periods, and the unemployment due to business depressions. It has also set aside part of its profits to be used as an "unemployment fund." The "unemployment fund," however, is

not considered in any degree so important as the *prevention* of lay-offs because of either seasonal or cyclic depressions in business. This prevention is accomplished by an analysis of the facts, and by planning to balance the demands made upon the factory for the full calendar year through various seasons. So far as is known, there is no one plan that will accomplish this result and it is believed that in every case individual treatment is necessary. In this company this work is accepted as a responsibility of the selling organization, so the members of the management who have charge of sales and merchandising place orders for items of stock goods, devise articles to keep the factory busy during off seasons, increase their sales force to maintain a fair amount of business during a general depression, and in other ways guard against the unemployment and loss of skilled employees.

This company has felt the need of the advice and criticism that its employees may give to the management, and in consequence for the last few years the employees have elected a Works Committee under rules and by-laws drawn up by a committee of the employees (which rules and by-laws were accepted by the management without alteration). The Works Committee, as will be noted hereafter, is always a *potential* and often an active factor in the determination of wages. Furthermore, the presence within the organization of a Works Committee whose responsibility it is to see that the employees, individually and as a whole, have a share in management, is evidence of the spirit of the company and of the reputation it has in the eyes of applicants for employment.

The company believes that each employee has a right to be treated as an individual and not as an undifferentiated group. Every possible means

is used to determine the ability and standing of each individual in relation to that of every other individual engaged in similar work. This is equally true whether employees are paid on a weekly, hourly, or production basis. In cases where productivity is measured and wages vary directly with production, the payment method is devised to insure the greatest amount of individual variation. An hourly base wage is paid from a minimum starting figure, increasing as the employee's record shows improvement in quality of work, greater versatility (ability to work at a variety of operations), or greater productivity. Increases are made as soon as the records justify them. There are, consequently, no flat rates for any given kind of work, applying indiscriminately to all employees engaged at the same task.

SERVICE RECORDS AND PROMPT RECOGNITION OF ABILITY

Records of employees are kept in nearly every division of the factory. These are in various stages of development; some are more thorough and in more active use than others. For this article it is proposed to describe a division where most advanced steps have been taken in recording the individual standing of employees. Here a service record is kept of each employee, showing attendance, earnings and production, pay changes and rating, average piece earnings, as well as all information concerning the individual, such as schooling, physical rating, previous employment, and the training in various jobs with this company or with others. Each employee is interviewed at least twice a year. At these meetings he is given the opportunity to examine his record card and discuss with the division superintendent or his assistant any particular difficulties he may have experienced. If he has a

preference for certain work, it is recorded, both on the employment record and by cross-index under job heading, so that when a vacancy occurs he will be transferred accordingly. So far as possible, promotions are made in accordance with each individual's desires.

All the various kinds of work are classified, and vacancies in the higher classes of employment are filled from the ranks of those whose knowledge, earning capacity and desires fit them for such advancement. It is held that the personal preference of an employee for a particular kind of work is a very strong indication that he will prove satisfactory in that occupation. The company has in its employ about 2,500 people in the classes covered by this article and during 1921 over 700 transfers were made from one department to another in an effort to meet the desires and needs of individual employees for different kinds of work.

This is entirely aside from promotion within departments where have occurred vacancies which have been filled by advancement. New employees are, in consequence, practically always placed at jobs which are classified as least skilled, and only in the case of a few trades where apprenticeship has been served outside of the company's employ, are new people placed immediately in the more remunerative positions. It should be further mentioned here that new employees are placed under competent instructors, and are trained for the work they are to do until they receive the approval of those capable of deciding as to their fitness for regular production. Even after they have been turned over to the producing departments as accredited employees, their record is followed up until the Training Division is certain that they are satisfactorily located. After this, the follow-up interviews already mentioned tend to direct the employee's advancement

in accordance with his ability and desires. As noted above, changes in individual wages are made whenever the service records show they are justified. All service records are examined monthly to insure prompt recognition of any increase in ability.

Almost without exception, those who constitute the management in this company started at the bottom and worked up to their present responsibilities, having earned their promotion by ability alone. This policy of promotion from the ranks in *all possible* cases is considered to be of the greatest value in its influence on the morale of the organization.

It is believed that if wages offered are higher than those prevailing for similar kinds of work and are sufficient to maintain a comfortable standard of living, a larger number of high-grade people will desire to be connected with the organization offering these opportunities. From such applications for employment, it is to be expected that only the finest types will be accepted, and only the best will be retained.

Wages, however, are not the only attraction of the applicant for employment. The company's reputation for good working conditions, meaning all those conditions which vitally affect the employee—surroundings, instruction, continuous employment, opportunities for advancement or transfer to congenial work, individual consideration at all times—has a considerable influence on the minds of the more intelligent class of employees.

ANALYZING, GRADING AND VALUING OPERATIONS

The first thing done in the determining of wage-rates is to make a careful analysis of the various jobs within the organization. It is the experience of this company that it is not necessary to be continually making

new analyses of jobs. A fairly thorough job analysis was made in 1917, and has been checked up from time to time since that date. When changes in methods of work are instituted, the job analysis is modified to conform with the new condition. A considerable proportion of the operations are very thoroughly specified as a result of time study and rate setting. There are, however, a good many jobs, particularly in the warehousing and shipping departments as well as in the office, and also in what may be classified as service work in the producing departments, that have not as yet been analyzed by the time study and rate setting department. A careful job analysis is required for these jobs also, and the physical and mental qualifications they require need to be definitely indicated.

When this analysis work is completed, the next step is to obtain the "going rates" of wages for similar work. By "going rates" is meant the rates of pay in effect in similar industries in the general locality where the company is situated. This knowledge should be still further supplemented by reference to rates in effect for similar types of work in other parts of the country, and by reference to the cost of living in so far as it can be ascertained through published data. In the past this information has been obtained from:

United States Department of Labor; Department of Labor and Industries (Massachusetts); Union scales; Massachusetts Commission on Necessaries of Life; other industrial concerns.

In studying the relative wage-rates, all the various factors of the job analysis are considered, and great care and attention given to determining to what extent the various jobs within the organization compare with the class of work for which the "going rates" of wages have been obtained. For in-

stance, there are many cases where operations are peculiar to a given industry, to say nothing of the fact that even in any two concerns in the same industry similar work is not exactly comparable, owing to the different forms of organization in effect, and the variations in the method of operating. The employment or personnel manager should strive to *see* the operations and the conditions of work in other industrial concerns whose rates he is attempting to use for comparisons. However, the training or skill necessary, the agreeable or disagreeable character of the work, the possibilities for advancement, the hazards of the occupation, etc., are all carefully weighed in each and every case as the rate is computed. Operations that are paid by a production method of payment are indicated in the different classes of work as well as those paid on an hourly basis. The range of base rates and the class of piece-rate earnings applying to the different types of work are given. Of course there are not as many different classes of wages for those paid on the production plan as there are for those paid on hourly or weekly rates, each employee's productivity placing him more accurately in his particular relation to his fellows. There is, however, a considerable variation in base rates; and a variety of bonus rates applicable to different types of work.

In setting the wages for the different classes of work, it has been found to be a good plan to begin with the simplest types of work and make up rates for these first, and then advance, progressively, to the more difficult jobs.

When wages for each class of work have been compiled, they are considered by the division superintendents in conference. These division superintendents are assistants to the works manager and are responsible for the general oversight of the different pro-

ducing and service divisions of the factory and warehouse. At this conference, a considerable amount of criticism is usually forthcoming, and many helpful suggestions are made which tend to improve the classification and more clearly distinguish the different types of jobs. So far, a final unanimity has always been arrived at before taking any further steps in making up a classification. In every case where a general modification of wages has been made, it has first been submitted to the Works Committee for its approval or criticism.

The outline of wages proposed is made to show the general range suggested for all classes of work; for instance, the minimum, standard and maximum wages to be paid for a given operation, and the minimum apprenticeship period considered necessary before an individual could attain standard. It will be apparent that the actual rates of pay for any given group will include all variations between a minimum and a maximum according to the degree of experience and ability of each of the various employees.

The maximum is published only as a reasonable maximum for the work indicated. There are instances where in practice it is exceeded, but these cases are based on special merit and it is not considered necessary to insist upon this point in reaching an agreement as to general wage levels. The Works Committee have in the past appointed a subcommittee to study the wage classifications, and have themselves compared them with the "going rates" of wages as they have appeared in the publications that the management used; and as far as they have been able to, they have checked them up from personal knowledge or investigation. With comparatively few minor changes, the bases for wages outlined have been accepted.

[RECENT READJUSTMENTS OF BASIC WAGE-RATES

The wage bases determined in March 1921 in the manner described represented from 100 to 130 per cent increase (approximately) over 1913 levels. During the spring and summer months of 1921 the cost of living as reported by the Massachusetts Commission on Necessaries of Life began to show definite reductions, and in the latter part of June the management laid the situation before the Works Committee as follows:

The company feels that the time has come when they must reduce their employees in proportion to the general change in wage-rates, but in doing this, in the first place, the company will pay attention to the individual merit of its employees and only reduce those who are not able, by increased efficiency, to justify their present wage; and, in the second place, the range between the present maximums and minimums will be increased, thus allowing even those employees who are now at the old maximum to maintain their present wages if they can show premium ability sufficient to justify the margin by which their wage exceeds present wage standards.

Just how this can best be brought about we do not know. It is something that must be carefully worked out and applied sufficiently slowly so that it can be done with accuracy and fairness. The management is working now on plans to carry out this general policy, which it will submit to the Works Committee when completed, and will be glad to have the Works Committee, either directly or through a subcommittee, work on the same problem and propose plans for the execution of these policies, or make suggestions in regard to their execution.

A conference committee representing both the management and the Works Committee drew up plans by which the adjustment was accomplished in accordance with the policies outlined. The starting wages, or minimum and

standard wages, were in practically all cases reduced to conform more nearly with general wage levels. Maximum rates were maintained. Individual re-rating with the new wage-rates for basis was carried out within six weeks,

and although all had the privilege of questioning their final rating, either directly or through the Works Committee, only 14 out of 2,500 raised any question in regard to their standing after the readjustment.

Bases for Determining Wage-Rates: A Fair Day's Pay for a Fair Day's Work!

By R. M. HUDSON

Manager of Methods and Personnel, Holt Manufacturing Company

IN attaining the equity implied in the above title, there are two major points of view—that of the employer, who is to pay the wage, and that of the employe, who is to render the service. No wage agreement or adjustment was ever mutually satisfactory in which one of these viewpoints was underestimated, or lightly considered by the holder of the other. Industrial history is full of examples which prove the truth of this statement. Times change, but human nature is much the same today as it was when the wage system began. What every worker wants, regardless of his job, position, rank, or station, is an income that will satisfy his needs, his desires and his ambitions. Since it seems that no two of us have identically the same wants, tastes, desires, ambitions, or inclinations, is it any wonder, then, that we have made so little progress toward achieving a formula wherein wages and services are always balanced? This, however, should not deter us from striving to establish a method that will work with greater justice than any heretofore; rather, we should accept the evident lack of such a method as a challenge to do our utmost toward bringing about a more general understanding of what is a fair day's work in every industry or occupation, and what is a fair day's pay for that work.

THE EMPLOYE'S VIEWPOINT

Since the rendering of a service precedes the payment therefor, let us consider the employe's viewpoint first. Work, to him, is primarily the means to an end. It is the medium through which he reaches a definite objective. That objective is first expressed in a living for himself and others dependent on him; after that, in a competence which shall insure him and those dependent on him against poverty and hardship in old age. And while the average worker is thus concerned about the present, and the relatively remote future, he is also interested in getting a certain amount of enjoyment out of life as he goes along. It is these three major interests that have the greatest influence in forming the conception, in each worker's mind, of what is a fair wage for his work. The compensation he wants is not based on the laws of supply and demand, though the compensation he gets, is! Therefore, employes as a class will never be satisfied with any method of determining wages which fails to regard their services as something more than a commodity.

THE PROBLEM CONFRONTING THE EMPLOYER

The employer, however, is not without his own desires, hopes and aspirations, and, no matter how fair-minded

he may be in his dealings with his employes or co-workers, he finds his ability to pay high wages often limited by the demand for his products or services. Since that demand is the expression of the price the employer can get for the products of his plant, it follows that the employer is not the final arbiter of the wages he can pay. It is the ultimate consumer that pays for all the activities involved in bringing to him the article he uses.

The employer is thus in the difficult position of conducting his business so that he can maintain the demand for his products, pay satisfactory wages, and still derive sufficient profits to compensate him for the trials and tribulations of that position.

Consequently, the narrow margin—which results from his effort to pay high wages to labor, give low enough prices to his customers to maintain demand, and also give a fair return on the investment or expenditure necessary to carry on the business—compels the employer to apply scientific principles of management in the conduct of that business. Otherwise, the entire proposition becomes a gamble and, rather than take any chance of loss to himself, the employer will often maintain his prices as high as possible and will pay no more in wages than he absolutely has to—in other words, the current market price—for his labor.

Unfortunately, the latter has been the more common method, and, in consequence, concerted action to raise wages or maintain them after they have been brought to a higher level, has been labor's chief recourse. The future would offer little hope of conditions' becoming any better, were it not for the fact that out of all the recent industrial strife and controversy, managers have come to realize that they must not only have a "much greater technical experience and ability

than was formerly needed," but they must also have sound views regarding the relation of their business to society, as well as a more highly developed sense of social responsibility than was heretofore regarded as necessary. That means the acceptance of the principle that industry exists for the benefit of humanity, and not solely for the enrichment of a few.

MUTUAL INTEREST IN BEST MODE OF OPERATION

Labor, likewise, in recognizing these truths, has the right to ask that the plants in which it spends so much of its time and effort, be well managed; that wastes be eliminated, and the business be conducted on a plane which shall insure to labor that peace of mind which comes only with the continuity and permanency of employment. Enlightened self-interest requires both employers and employes to seek and apply the "one best way" of operating the business from which both derive their wages. Coincidentally, the buying public, through the negative and highly effective process of *not* buying, is gradually asserting its right to obtain the goods it uses at the minimum price, and thus is demanding that scientific methods shall be employed in producing those goods.

No new discovery is needed to provide ways and means whereby labor can obtain what it wants, viz., high wages, or the public obtain its desires, low prices, and still give capital a fair profit. The application of the principles of scientific management, developed by the late Frederick W. Taylor, has proved in several industries in the past decade that these conditions can be met and adequately fulfilled. The increasing number of specific industries in which these principles have been tried and proven, is sufficient evidence of their practicability as bases for

sound management. Definite, precise and exact methods are utilized to achieve the results sought. Action is based on facts, or positive knowledge. Opinion and guesswork, are, coincidentally, relegated to the background. The use of facts as a basis for guidance means investigation, study and research. The truth must be known, and both sides of every question clearly visualized in order that error and injustice may be reduced to the minimum.

SCIENTIFIC MANAGEMENT PRINCIPLES AND WAGE ADJUSTMENT

In no phase of the work is that thoroughness more clearly emphasized than in the wage-adjusting process. Through the years in which the writer has been dealing with the problems of industrial relations, it has been his privilege to be very closely in contact with both employers and employes in industries operating under scientific management principles; consequently, the statements made herein are based on personal observation. In that experience, the most effective methods found for determining equitable wage-rates, have proved to be compromises in which the conditions sought by both employers and employes, as outlined in the earlier part of this paper, have been recognized.

For example, we have studied the existing conditions thoroughly, and charted the prevailing wage-rates of a specific period as the base of subsequent ratings. These periods have been chosen as those of low turnover, minimum industrial strife or disturbance—in other words, “periods when the working community was in good condition, and workers were able to obtain satisfactory wage-rates without difficulty.” The relative increase in cost of living from that period to the current period of wage adjustment was then determined by very comprehen-

sive surveys. The wage-rates of the base period were then increased by the percentage rise in living costs from then until now. The resultant rates were then carefully checked with the wage-rates current in the community for the various trades and occupations found in the particular industry for which the wage adjustment was being determined. Thus, the variation in money wages for those trades from the calculated wage-rate, indicated the several influences which had worked between the base period and the current period, to alter the original relative position of those trades.

In some cases it was found that the actual increase in wages was less than the resultant rates as above determined; whereas, in the same interim, wages for other trades had risen far beyond their original wage as increased by the rise in the cost of living. Strong organization and concerted action, especially among the more highly skilled trades, because of the greater demand for their services, enabled them to obtain the greater increases, but, in so doing, they “killed the goose that laid the golden egg,” for when these artificially high rates were passed on to the ultimate consumer the reaction was both swift and sudden.

ARTIFICIALLY DEVELOPED WAGE- RATES AND OTHER FALLACIES

The fallacy of artificially developed wage-rates has been well demonstrated during the past five years, for, while temporary advantages have been gained by labor when wages have gone up, and by employers as wages have come down, the final balance is governed by the price obtainable for the goods produced by their joint efforts. The complete removal of wage determination from the influence of the law of supply and demand is difficult to visualize, though it may be conceived

that the unanimous recognition by employers and employes of a uniform or highly standardized method of wage-setting might bring it about. Prices, however, would then, as now, be based on the costs of the goods produced, and since the costs include the labor charge, or wages paid in the production of the goods, we would soon be faced with the problem of a market for the goods at the price thus set. If there were little or no demand for them, further production would soon stop, and could be resumed only as the price became attractive enough to induce buying. Thus the relative skill, strength, accuracy, or other elements peculiar to the trade or occupation, would have value only in proportion to the market for them, as reflected in the market for the goods in the production of which those elements of human effort are required.

All occupations vary to a greater or lesser degree in their elementary requirements. These variations range from a maximum of physical ability and a minimum of mental effort, to a minimum of the former and a maximum of the latter. The assigning of weights or relative values to these elements throughout the entire list of occupations, even in one industry, would be an interesting analytical study, but of doubtful value for direct application in the wage-setting process. The relative hazard, or the periodicity of employment, would likewise have small influence in establishing a basis for a wage-rate, for all of these are incidental to the occupation, and the pursuit of any one occupation presupposes a demand for the service represented thereby. That service, however, is a component of a specific endeavor or effort which ends in the ultimate marketing of the product to a consumer.

The principle is no different whether

the example is that of a mason laying bricks, a machinist making parts of a machine, or a physician prescribing for a patient. In the last analysis, the economic law of supply and demand operates to fix the return to all previously concerned, according to the price received by the final vendor from the ultimate consumer. The distribution of that return to each participant, is governed by the extent to which each has contributed to the final thing sold, or the final service rendered. The law of supply and demand is impartial in its operations, and irresistible in its rulings. Employers are no better able to defeat it than are wage earners, though they may temporarily gain an advantage by their respective combinations or other attempts at monopoly control. Current conditions testify, however, to the appalling economic waste from such efforts.

INDIVIDUAL FACTORS IN AN EQUITABLE WAGE SYSTEM

An equitable wage system takes into account the contribution made by the individual worker toward the final object sold, regardless of what the worker's status or relative value may be when he is considered as a member of a certain group or class. Two men may be classed as machinists, yet one will be of greater value than the other to the industry that employs him. The individual differences that make that greater value are as follows:

(1) The relative rate of productivity or output is highly essential. If both men carry the same base rate, the faster of the two will be more of an asset than the other. It is conceivable, however, that both may be so slow in their performance as to be liabilities, for the costs of the work they do would be sadly out of proportion to the price obtainable for their products. It

follows, then, that certain minimum standards of output must be established for which the base rate is fair compensation. That minimum output is easily deduced from a study of the probable maximum price obtainable, and the consequent maximum allowable cost for each component. Greater output than that standard can be rewarded by a direct return in the wage-rate of a share of the savings resulting from the lower costs effected by that higher productivity. The determination of the standards can be most scientifically accomplished through time studies, made under highly standardized conditions of operation.

(2) The tendency to speed up output, however, brings with it a greater risk of spoilage, and consequently the losses resulting must be shared by the worker responsible for them in a reduction in his individual rate proportional to those losses. It is thus possible for the worker to govern his rate of production so that he earns more than his class rate, and yet have little or no spoilage. He soon learns the relative value of speed and accuracy in their relation to his rate of earning.

(3) The worker who can do more than one particular thing, is entitled to recognition for his versatility; for obviously he is of more value to his employer in that he provides the latter with a more flexible organization than he otherwise would have, and, consequently, the annual labor turnover is lowered, and its expense lessened by reason of the worker's greater ability.

(4) Recognition of the years of connected service of an employe has its value in stabilizing the industry and further lessening the costs of turnover.

(5) Regular attendance likewise is of value, for the losses due to idle machinery or interrupted routine, are thus minimized.

(6) Good conduct and high coöpera-

tion from employes are of appreciable value to an employer, and though some may argue that "virtue is its own reward," and that "custom does not give medals for honesty," the influence of highly coöperative, self-governing employes is very helpful in obtaining a high efficiency of operations.

These individual factors will have varying values with respect to each other, and according to the extent to which they contribute to the success of different enterprises; but they should be recognized in every industry, for to the industry, these factors are the expression of the value of the individual and to the worker, they are direct and tangible means of achieving his desires.

The equating of these factors into a monetary expression is a research problem for the industry which considers them of value. Helpful suggestions as to method are found in the description given in "Taylor System in Franklin Management," by Col. George Babcock. The effect on costs under such a method of rating workers, is to lower them, for the support of the workers is obtained in reducing the wastes that always exist in any plant until the recognition of these factors as a basis of wage payment brings them to light. Conditions which interfere with production, breed spoilage, induce absence, or limit ability, are promptly shown up in the individual performance records. Intelligent managerial investigation and corrective action aid to remove these several obstacles, and the average productivity of the group rises steadily. Costs continue to lessen and the resultant savings permit the higher wages. Quality of output is improved, and as quantity increases, it becomes possible to lower selling prices and thus obtain a greater volume of business. This logically brings about a continuity

of operation that makes for further economies in various ways other than merely those due to a highly efficient and stabilized working force. The beneficial influences of such methods of operation extend beyond the employe, the employer and the consumer, to the community in which the industry operates, and thus the industry renders a genuine service to all concerned.

MAXIMUM COÖPERATION NECESSARY FOR PERFECT EQUITY

But these results cannot be achieved all at once. It takes time, effort, patience and everlasting courage, coupled with broad vision, to work consistently toward the end sought; but the end justifies the means. The period of constructive effort can be shortened only through maximum coöperation between employers and employes. Lack of faith in each other and selfish disregard of

either's point of view by the other, will delay the result indefinitely. There is nothing Utopian in the plan: it is intensely practical, even if it does take relatively more time. But wherever scientific management principles have been scientifically applied it has been demonstrated that "a fair day's pay for a fair day's work" is something more than a slogan. It is a living fact! Only through the prosperity of the industry that supports them both, can employer and employe hope to enjoy that individual prosperity each desires. This means that each gets out of the industry what each puts into it, and therefore, since the maximum of efficiency is gained only as output approaches input, the application of scientific management principles to each industry offers the best means for providing a fair day's wage for a fair day's work.

The Bases Used by Department Stores in Establishing Wage-Rates

By PHILIP J. REILLY

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THE practice of large department stores at present is to use the cost of living as the principal base for establishing minimum starting rates for inexperienced adult workers. The margin in a starting rate above this minimum is influenced at any given time by the demand and supply of workers, and by the desire of a store to attract workers of a given type. Some years ago, the base used almost solely by the large stores for starting rates was the payment of merely what the market conditions required. The change in policy has been effected not only by the general use of the cost-of-living base by state minimum wage commissions in formulating wage stand-

ards for retail stores, but also by the recognition of managers that a store cannot continue to attract and retain the type of worker necessary to render the intelligent service that customers demand unless it pays a starting wage that represents at least the cost of living.

Some stores now pay a starting rate to inexperienced workers that represents a substantial advance over the established legal minimum wage. This is done on the theory that, with labor as with merchandise, one gets in results precisely what one pays for, provided the workers are selected with discrimination. Occasionally a large store in a given city can consistently follow this

practice and select a higher than average type of worker. However, individual stores in large cities that wish to pay more than the customary starting rate frequently meet with a practical difficulty in following this policy. Because of the keen competition among the larger stores, each is alert to see that no individual store solely enjoys the advantage of getting the pick of the applicants for work by paying a premium initial rate. This keenness in competition for workers was especially manifest during the War and immediately after the Armistice. Whenever certain stores were unable to attract sufficient applicants, it was the custom in some cities where competition for labor was keen to "shop" other stores occasionally by assigning professional shoppers to the task of ascertaining what rates were being paid and if the working conditions were especially appealing in the stores which had the most success in securing workers. Therefore, because of this existing business rivalry, when one store starts the practice of raising the general starting rate, the other stores usually follow suit, especially when desirable workers are not too plentiful. As a consequence, this competition usually results in all stores of the same class offering about the same rate.

WIDE ADOPTION OF INDIVIDUAL PRODUCTIVITY BASIS

During the first month of employment inexperienced workers in most stores are paid a straight weekly wage. It is the desire of store managers, however, to establish for each person, as soon as practicable, a definite relationship between the weekly wage paid and the productivity of the worker. Individual productivity, therefore, wherever the nature of the work permits it, is the base that is used by most of the larger stores for determining the

wage of each experienced individual. In the selling positions, productivity is expressed not only in terms of the total value of sales but also in the *number* of sales or transactions that has been made by an individual and the average amount of each sale. The use of the number of transactions and the average amount of each sale as measures of the efficiency of a salesperson has increased during the past two years, and the recent drop in retail prices has made the use of all three of these factors especially valuable in determining wages. This drop in prices has made it necessary to sell 15 per cent to 25 per cent more pieces to approach the same sales figures that were attained before the price recessions.

In the non-selling positions, although most of the workers are still paid a weekly wage that is not directly related to a measured output, wherever it is possible to devise a unit for measuring directly the productivity of the workers, this is established and the wage paid on that basis. For instance, in office work this measuring unit may be the number of credit authorizations made; the number of invoices billed; or the number of lines that has been typed. This productivity basis for determining individual wages has given the most satisfactory result in both selling and non-selling positions. It has resulted not only in stabilizing store forces by rewarding individuals precisely in accordance with their efforts, but it has also enabled store managements to control their pay-roll expense so as to keep it proportionately reasonable. To respond to the public demand that the costs of distribution be kept at a reasonable level, store managers must constantly watch pay-roll expense, since this is usually approximately 55 per cent of all operating expenses.

Where the employee is to be continued for some time on a straight salary the

practice of most large stores is to review the work of the employe after one month's service. The purpose of such a review is quickly to discover the worker who is not making progress and to meet this situation either by additional instruction, transfer to another position or even dismissal. This review at the end of one month is deemed necessary, also, to adjust the rate of unusually promising employes, since experience has shown that it is necessary to make this adjustment a few weeks after employment in order to correct the element of "guess" as to the value of a particular employe contained in the average starting rate. Finally, this prompt review of all new employes with the resulting raises reduces labor turnover. An analysis of turnover figures furnished by a group of stores showed at one time that one-third of all employes who had left their positions had done so within the first month of employment. After following for a year the policy of consistently reviewing all new employes within the first month of employment, the turnover figures of the same stores showed that only one-fifth of all who left did so within the first month.

SELLING COST BASIS

In regard to selling positions most stores base their wages on a selling cost base. This base is the per cent representing the relation of total wages paid in a selling department to the total sales made. In a department selling \$3,000 of merchandise a week with six salespersons whose wages average \$25 a week or a total of \$150, the selling cost is 5 per cent. This per cent is relatively low in the departments where the average sale is high, such as in departments selling dresses or coats and suits. It is relatively high where the average sale is low, such as in the notion and pattern departments. The

selling expense in departments selling dresses or coats and suits will range from 3 per cent to 4½ per cent, whereas in departments selling notions or patterns the wage cost or selling per cent will range from 7½ per cent to 12 per cent. Generally speaking, individual wages are high in the departments where the selling cost per cent is low and they are relatively low where the selling cost per cent is high. The simplicity of the sale transaction in departments like those in which notions and patterns are sold permits the employment of relatively young and inexperienced salespeople at the lower wage-rates. In women's ready-to-wear departments, however, since the sales involve a considerable outlay, most stores endeavor to maintain mature, experienced salespeople who can give customers expert advice and counsel as to the appropriate wearing apparel they should have. This service is being increasingly demanded by customers and can be given only by well-paid discriminating salespeople experienced in apparel selling.

The department selling cost is usually determined on a six months' season basis. At the end of each season, the rates of individual salespeople are adjusted on their productivity showing, precisely in proportion to their having sold at the average department rate or lower. Individual sales quotas are determined by dividing the department rate into the weekly salary of each salesperson. An experienced salesperson earning \$80 a week who sells in a 5 per cent department is expected to sell at least \$600 a week to maintain her position at this wage. Although allowance is made for seasonal fluctuations, if she consistently sells less than this amount for a number of weeks, resulting in a higher selling rate, efforts are made to stimulate her sales so that she can maintain

her position at the average department rate. If she sells, say \$750 a week, however, resulting in a selling cost of only 4 per cent, which would be 1 per cent lower than the department average, her salary is generally increased proportionately so that there will be a consistent and a direct relation between her earnings and the department rate.

The foregoing describes the method of paying and adjusting individual wages in stores employing a straight salary wage plan. Under this plan a salesperson is assured the same income for each week. The diligent worker may not always be immediately paid the exact amount she may earn over and above her salary, pending the adjustment of her regular wage, and to this extent the straight salary plan may be open to criticism. On the other hand, however, under this plan the worker is not forced to make up the deficit when her earnings are less than the salary she receives. In the case of inexperienced workers the earnings invariably are less during the first few weeks of employment, and at certain dull periods even many experienced workers are unable to sell their quota and earn their rate.

VARIATIONS IN THE COMMISSION PLAN

Where salespeople work under a straight commission plan, arrangements are usually made with them for a weekly drawing account that represents about 80 per cent of their earnings. The balance is paid in commissions and these commissions sometimes are paid only once a month, although many stores pay the commissions weekly. Under the straight commission plan, salespeople are paid precisely what they earn. A furniture or clothing salesman working under a 5 per cent straight commission plan may have a weekly drawing account of \$40.

If he sells over his quota and actually earns \$50, the extra \$10 a week is paid the following week or the following month. If, however, he earns only \$35, the regular weekly drawing account of \$40 is paid but the deficit of \$5 is deducted from any commissions earned above his regular weekly drawing account in subsequent weeks, and the balance, if any, is paid as a commission.

The theory of the commission plan is that the direct relation between a sale and the payment of a percentage of the sale in a wage, acts as the most potent incentive for salespeople to sell diligently. It is not favored by some store managements, however, because it is felt that an employee's success in an organization should depend not on sales alone but also on other personal factors; and that a commission plan is unsatisfactory because it does not permit evaluating anything else in an employee but the ability to sell merchandise. When determining individual wages of salespersons, some stores which wish to consider such factors as length of service, coöperativeness, promptness and steadiness in attendance, versatility, loyalty and leadership qualities, feel that these factors can best be evaluated under a straight salary plan. To provide some incentive, however, for increasing sales, it is the practice of a number of large stores to pay a small commission on all sales in addition to the weekly salary. This commission frequently is 1 per cent, and it may represent an increase of 10 per cent to 20 per cent over the regular weekly salary.

Wm. Filene's Sons Company, Boston, after experimenting with various wage plans for several years, now pay all salespeople a straight salary which is based on the average selling cost percentage of the various departments. In addition to this, however, a com-

mission is paid on all sales. This commission varies from one-half of one per cent to one and one-half per cent in the various departments. Usually a bonus percentage of this sort represents about one-fifth of the actual selling cost of a department. Filene's feel that it is necessary to have this commission percentage vary in order to make it possible to pay a commission in departments with a small average sale that will be substantial enough to act as an effective incentive for salespeople in these departments to increase their sales. The disadvantage of paying a uniform percentage of bonus in all departments will be appreciated when it is realized that the average sale in a notion department in many stores will be approximately only 50c, whereas the average sale in departments selling women's coats and suits will range from \$30 to \$65, depending on the character of merchandise that a store carries. In the notion department the average salesperson will handle five or six hundred transactions per week, whereas in departments selling coats and suits the number of transactions per salesperson throughout the year will average only from twenty-five to thirty-five a week. At Filene's, the commission on all sales is paid weekly in a separate envelope, since this method of paying the commission is effective in impressing salespeople with the constant relationship that must exist between the wages they earn and the sales they make.

The plan in effect at Filene's has proved to be very satisfactory to the employees. While it attempts properly to "weight" the sales factor, it also permits a consideration of other factors. This is provided for at Filene's by a periodical rating of all employees on such traits as (1) mental qualifications; (2) technical ability; and (3) personality, health and general value to the company.

AN EFFECTIVE WAGE PLAN IN OPERATION

One of the most interesting wage payment plans for department store workers is that in effect at the Joseph Horne Company store at Pittsburgh. Because this wage plan has been in effect for something over twelve years and has functioned satisfactorily both in dull and prosperous seasons, it has been the object of considerable study by many other department store managements. The plan commends itself because it is simple in operation; it is easily understood by employees; it shows the comparative worth of individuals at all times; and it provides for the adjustment of salaries on an individual productivity basis at regular intervals.

When salespeople are engaged, they are paid the going rate paid by the better class of large stores and the method of adjusting salaries is explained to them. After thorough training, they are given their weekly sales quota and placed at work. After two months their sales are reviewed and salaries are increased if the sales during this probationary period justify it. New quotas are then given based on the increased rate. Thereafter, salaries of the salespeople are adjusted in February and August of each year. The total salaries paid in each department for the six months preceding February and August are divided by the total sales of the respective departments for the same period to ascertain the average cost per cent for selling. The average weekly sales of each salesperson are then computed for the six months and multiplied by the department rate to find what each one has earned. If the sales of an individual warrant a higher salary than she is receiving, her salary is increased accordingly. If she has not earned her

salary, she is not reduced but is interviewed. At this interview her record is shown and she is requested to make an effort to bring up her sales. At the expiration of the following six months if the salesperson is not earning her salary, she is then given a trial in some other department or is dismissed.

In some departments experience has shown that salespeople will occasionally run behind their rate the first six months and ahead of their salary the second six months. In such cases their "worth" is averaged for the year and adjustments made on that basis. In addition to the above salary arrangement, which is based on the productivity of the individual, a sales bonus is paid March 1 and September 1 on individual sales in excess of quotas at the department's average selling per cent for the corresponding period of the preceding five years. Under this arrangement all salespeople are afforded an opportunity to earn a bonus in addition to their regular salaries.

Although a majority of the larger stores base their wages of salespeople primarily on the productivity basis, consisting of the number and the amount of sales in a given period, many stores take other factors into consideration in determining individual rates. Through the use of rating plans which provide for rating employees periodically on such subjects as attendance, courtesy, suggestions, accuracy and co-operativeness, an effort is made to "weight" and evaluate these qualities also in salespeople.

PRODUCTIVITY BASES FOR NON-SELLING GROUPS

The satisfactory results obtained from the use of the individual productivity bases for salespersons' wages has directed the attention of store managers recently to the use of the same basis

for non-selling groups composed of clerical workers, stock-room people, delivery workers, etc. A number of stores through time studies have established a measure of the work in these non-selling positions and used this information to establish standards for a proper day's work. Some stores have based their wages on definite tasks and are paying a money incentive to the workers who surpass them. A large department store in Canada has established in its delivery department a quota of three hundred parcels per driver per day as an excellent day's work. Their drivers are paid a bonus of 1½c for every parcel delivered above this quota. It is claimed that this bonus arrangement has resulted in their delivery department's being able to take care of a 26 per cent increase in parcels with no increase in force or equipment. In the month of December, when deliveries are heavy, drivers make from \$25 to \$35 in parcel bonuses for the month, although the average bonus earned during other times is approximately \$3 to \$4 a week. The management of this store states that the parcel bonus has saved much expense for them and has in addition promoted harmony and contentment among their drivers because of the additional money they have earned.

A large Boston store pays a bonus to its parcel wrappers for all parcels wrapped over a certain quantity. The tasks were set after the average daily production of each wrapper over a period of months had been ascertained. If the first task is exceeded, a payment of 25c per day is made; for exceeding the second task, 35c per day is paid and 50c a day for exceeding the third.

At Wm. Filene's Sons Company the billing machine operators, who are girls, are paid on a piece work basis of one cent a sales check on all checks

accurately billed to charge customers in excess of a certain amount. Regular weekly salaries for each operator are established. An operator earning \$25 a week is expected to bill 2,500 checks and she is paid at the rate of one cent a check for billing any quantity over her quota. A penalty of ten cents each is imposed for errors.

In a large department store in Ohio the billers are all expected to bill at least 7,500 checks per month, since experience has shown this to be a fair month's work in this store. Bonuses are paid, however, for exceeding this quota at varying rates depending on the quantity up to 75c per 100 for billing over 10,000 checks.

ATTEMPTS TO REGULATE SEASONALITY AND OTHER WAGE FACTORS

One of the most perplexing factors that store managers must keep in mind in formulating any wage plan is the seasonal fluctuation of sales on which wages are based. One quarter of the year's business may be done in November and December and only approximately one-tenth or one-eighth may be done in June and July. A plan that will yield each worker a good salary in months when business is brisk may have quite disappointing results in other months. It is not by any means a simple management task to devise for all departments a plan that will provide a constant weekly wage return sufficient to retain ambitious workers. A wage plan that is too closely related to sales in a store which has marked fluctuations in its sales volume each month, may fail to hold workers in the relatively dull months.

This seasonal fluctuation necessitates not only constant study and manipulation of individual sales quotas but also, at times, a strategic manipulation of the entire store force. This is because a drop in sales will result in

expensive overmanning and overmanning, in addition, will immediately depress the earnings of salespersons if they are paid a wage that is closely related to the volume of business that is done in a department. Efforts are being constantly made by department store managers to flatten the seasonal peaks and valleys, but the seasons of the year and fixed purchasing habits tend to make it very difficult to change materially this problem of seasonality and it will continue to be a bothersome factor in establishing wage-rates that are satisfactory to the employe and fair to the management, both in dull and busy periods.

It is the practice of some stores to make no change in the basis of a wage-rate before thoroughly discussing the proposed change in advance with the group of employes affected, and then making changes only after the conditions have changed under which an existing rate was established. In a few stores, moreover, an attempt has been made not only to pay a fair individual rate but to pay, in addition, a group bonus wherever the payment of this results in developing a departmental esprit de corps. For instance, in the jewelry department of one large store, individual salaries are adjusted on the basis of individual sales but, in addition, a group bonus is paid on all sales made in the department. This lump sum is divided equally among the various salespeople in the department and it has resulted in correcting to some extent the dissatisfaction that existed when bonuses were paid merely on individual sales. If a customer spent considerable time inspecting an expensive ring, but deferred making the purchase on the first visit, on the subsequent visit it frequently happened, during the lunch hour, that, when the customer called again with her mind made up to buy, the sale was

effected and a substantial commission earned, under the former plan, by a different salesperson from the one who had spent so much time in developing her initial interest in the merchandise. Naturally this situation caused the first salesperson to become dissatisfied.

The group bonus plan has equalized earnings in the department to some extent and it has also corrected the former dissatisfaction that was caused by certain salespersons' getting the most sales because of their better stations in the department. It is the custom in some stores to permit the long service salespeople to occupy certain stations that may be especially strategic for making sales.

In a large department store in St. Louis good results in developing store spirit have been achieved by paying a 1 per cent bonus on all sales, provided the business of the store is increased \$100,000 each month. Thus the management shares with employes a portion of its gains from increased sales and assists in emphasizing to the salespeople the direct relationship between a store's ability to pay good wages and an increase in sales.

PRODUCTIVITY BASE FOR BUYERS' SALARIES

The salaries of buyers also have a productivity base. The buyer's salary or drawing account frequently represents 1 per cent or $1\frac{1}{2}$ per cent of the sales of a department for the preceding year. In certain departments, however, and also under certain

unusual conditions, such as when exceedingly competent buyers are engaged to build up weak departments, the buyer's salary may represent as much as 2 per cent or 3 per cent of the annual net sales. Frequently, bonuses of 1 per cent or $1\frac{1}{2}$ per cent are given in addition on increased sales. Of all department store executives, buyers are always in the most advantageous position to effect the most satisfactory salary arrangement with store managers. The technical information of a successful buyer can be utilized in practically any other store. His constant trips to the market enable him to make contacts that frequently lead to better opportunities and the salary offered is usually sufficiently attractive to induce him to go to almost any section of the country he desires.

From the foregoing, it will be clear that store managers in determining buyers' and experienced salespeople's wages usually use as the primary consideration the amount of sales made. In determining the wages of the non-selling groups of store workers, the tendency is to base these on some measure of productivity, such as the number of transactions handled. Wage plans, such as these described, that incorporate individual productivity as a fundamental, wherever it can be fairly measured, and wherever such plans can be equitably and reasonably administered under varying conditions, usually result in high individual wages, a relatively low labor turnover and a reasonable operating cost for stores.

Relative Rating Versus Cost of Living as a Basis of Adjusting Wage-Rates

By THOMAS W. MITCHELL, PH.D.

Management Engineer

THE period that commenced seven years ago and is not yet finished has been a period of test for our ideas and institutions, political and industrial. Particularly has it furnished opportunity for applying, testing, reviewing and revising some of our economic notions.

The World War drew out of industry and put into the military organization between three and four millions of our own young men, not to mention the millions of Europeans. It transferred other hundreds of thousands from ordinary industry to the production of munitions and other war materials. All these had still to be fed, clothed, amused and the like, although they had ceased to produce, either directly or indirectly, their own sustenance. It should have required but a moment's thought to convince us that, unless these millions were replaced by other producers (by women, say) or unless those who remained in ordinary industry were considerably more effective than before, the whole population would have to live in poorer circumstances than prior to the outbreak of the War.

However it soon became apparent that the mass of workers, whether in factories or offices, did not comprehend the situation in this manner. Not only did a large part of the working population go shopping for jobs at higher pecuniary rates and keep up this shopping practice until the day of the Armistice—as if it were money they ate and wore and slept in—but when the inevitable price advances came to increase the pecuniary cost of living,

they demanded the privilege of living as well as they had been accustomed and demanded still higher wage- and salary-rates, which were followed by yet higher prices and living costs. Governmental wage adjustment boards raised the wage-rates of shipyard workers and others to cover the advance in living costs, only to find in a short time that further price increases had absorbed the pecuniary wage increases, so that they had the job to do over again. Finally, one board came to the conclusion that mere wage-rate increases only added to the cost of living, that no given standard could be maintained by that method, and ceased the practice.

Several years before the World War at least one collective bargaining agreement specifically recognized changes in living costs as an important consideration in adjusting wage-rates up or down. During the post-war period of rising prices, arbitrators in a number of cases granted general wage-rate increases on the basis of advances in living costs. Other demands have been made on that basis, although not granted. In one case the arbitrator stated that workers were entitled not only to rate increases commensurate with the advance in the cost of living, but, as time went on, to still further rate increases for the purpose of *improving* their living conditions. Many representative economists, industrial engineers and other thoughtful persons, also put large faith in the living cost theory.

Now, however, that prices are on the downward swing, while many groups

of workers accept rate-cuts with apparent cheerfulness, there are other large groups who resist such reductions even to the extent of prolonged strikes. There are employers, too, who are following the cost of living theory out to its logical conclusion and are asking such intimate questions as these: What is the average size of workers' families? How many pairs of shoes, of stockings, how many suits of underwear, of outer garments, how many ounces of beef, potatoes, bread, butter and the like; how much bedroom and other room space, does each member of the family need, and what is the cost of these per week or per annum? When employers commence seriously to ask such questions for the purpose of cutting wage-rates, is it strange that workers and their representatives become uneasy and begin to wonder whether after all the living cost theory is a logical and beneficent one?

The present situation furnishes the opportunity to reëxamine the living cost theory, to ask ourselves what the function of a standard of living is, through what channel it accomplishes its purpose and, more particularly, whether it is logical and effective as a basis of pecuniary rate adjustments.

LIVING STANDARDS HAVE ROUND- ABOUT NOT DIRECT EFFECT

Anyone who will take the trouble to review the development of economic thought on the subject or thoughtfully examine the facts of industrial operation, must become convinced that the function of standards of living is to control the proportion of population and the labor factor to the other factors in production.

In the production of any commodity or the performance of any operation the various production factors—land or space factors, equipment factors, labor factors and planning and super-

vision factors—may be combined in any one of a *range* of proportions. To each combination there will correspond a rate of output that differs from that of every other combination. Advance in scientific knowledge, which makes possible a more effective application of scientific laws, may increase the rate of output of each possible combination. However it can be shown that without such advance in scientific knowledge and improvement in the industrial arts, there are two sets of proportions at the opposite extremes of a range such that for any set of proportions within the range, if the proportion of any one factor to the others be increased, the total rate of output of the whole combination will be increased, it is true, but *less than proportionately to the augmentation of the one factor*. In other words, increasing the proportion of one factor in the combination within this range subjects the other factors to the operation of a "law of diminishing returns," or the one factor to a "law of diminishing productivity."

Now the total quantities of equipment factors are capable of being increased and are increased as industrial society saves. Likewise, the human factors increase as the population increases. However the increase of the land factor is obviously limited by the fact that the total land area of the world is practically a fixed quantity. The bearing of this upon the welfare of mankind is obvious. If the population increases more rapidly than does the accumulation of the equipment factors, particularly if it increases more rapidly than the advance of scientific knowledge and the effectiveness of the industrial arts, the average rate of production of commodities per person or per man-hour must fall, and the economic well-being of the human factors—and industry is carried on for

the benefit of the human factors—must be lowered. Indeed, barring the progress of science, there is a maximum beyond which the output of the whole industrial society of the world cannot be increased; to increase the proportion of the human and equipment factors beyond this limit is to *decrease* the total output of commodities.

If, therefore, the economic well-being of the mass of people is not to be lowered, it will be necessary to prevent the population and the human factors from increasing more rapidly than the accumulation of the equipment factors and, more particularly, to prevent this increase from outrunning the advance of scientific discovery and invention and the improvement of the industrial arts.

But how are we to prevent the population from increasing so rapidly? Each person will have to do his little part by deferring marriage and limiting his contribution to the increase of population. As one labor manager remarked concerning the "make-work theory" that is said to pervade the ranks of industrial workers, "If work-people are going to limit output, the output to limit is the output of children."

But when shall a person marry and how many children shall he bring into the world? Here comes in the function of a personal standard of living. The more kinds and degrees of his own wants a person puts ahead of his desire for his own home and family, the more kinds and degrees of wants of a potential spouse and each potential child he puts ahead of his desire for a larger family, the longer he will defer his marriage and the smaller will be his personal contribution to the increase of population. From his personal viewpoint he will take more time to acquire skill and industrial effectiveness, to advance to grades of work of higher skill and value, until he can

command an income, and be reasonably sure of maintaining it, that is sufficient to enable him to support himself, wife and prospective children according to the standard he has chosen. The more people adopt high living standards, conduct themselves accordingly and so limit each his personal contribution to the population, the slower will be its increase and the more chance will the progress of science and the industrial arts have to keep pace with and even outrun the increase in population. Indeed it is possible to hold the population stationary, as in France, or actually to decrease it. If a sufficient portion of the population adopts relatively high standards of living and conducts its marital practice accordingly, within limits, *any* standard of living can actually be attained and maintained.

Observe, however, that it is not sufficient, at a given set of market prices of commodities, to say, "Go to! I want to live on a scale requiring an income of \$5,000 a year and insist on having \$5,000 a year instead of \$2,000." That might be effective for one person or a comparative few so long as the mass of people were not doing the same thing; but if the mass of people should attempt to do the same thing, even though they might actually get the larger money income, as happened all over the world during the last seven years, so long as they did not increase their volume of production correspondingly, the only effect would be to mark up the prices of commodities in like proportion. Wage boards can better the living conditions of selected groups of workers for a little while by marking up their pecuniary wage-rates, *provided* that other wage boards or agencies do not simultaneously mark up the wage-rates of the remainder of the working population. In other words, so long as they do not increase the

productivity of industry, *all that wage boards, arbitrators and labor unions can accomplish by marking up wage-rates is to alter the division of the total product of industry among the various groups of workers. However the improved living conditions of the few come at the expense of the others.*

To sum up, raising the standards of living produces its effects *only indirectly*: (1) by causing the individual to put forth the improving effort and take the time necessary to increase his own productivity; (2) by restraining the growth of population, thereby keeping down the proportion of labor force to the other factors, particularly to land. Its effect is a *long run and round-about*, not an immediate and direct effect. Neither wage boards nor legislative nor collective bargaining fiat can accomplish it.

Furthermore, a standard of living is not something that can be chosen by one person or by a wage board for another person. I can choose my own standard of living and I can accustom my children to it so as to be reasonably sure of passing it on; but I cannot effectively impose any given standard of living on any person outside my family. For even though I place the corresponding income at the other person's command, unless he has already chosen that standard for himself, I cannot compel him to keep his family so small as to make the standard effective. A standard of living is a personal affair. Each person must, consciously or unconsciously, choose his own. There is not *one* standard of living; there are millions.

GENERAL WAGE-RATE CHANGES IMPOTENT TO AFFECT ECONOMIC WELL-BEING

This thought that wage boards, arbitrators and labor unions are powerless to better or to injure the economic

well-being of the masses of workpeople by mere general increases or decreases of wage-rates, that they can only *discriminate* in favor of or against one group of workers as compared with the other groups, is so important as to merit further demonstration.

It is possible to benefit or to injure tool makers or glass-blowers or locomotive engineers or clothing workers or any other group of workers or even a number of such groups in this manner so long as the movement is not general. However, any attempt to make a general and universal proportionate advance or recession in wage- and salary-rates immediately defeats its purpose. For, unless such advance or recession is connected with, and accompanied by, an increase or decrease in the rates of production of commodities, it will immediately be followed or accompanied by a like proportionate general advance or recession in the prices of commodities, so that the general advance or recession in wage and salary incomes will be wholly absorbed in a proportionate advance or recession in the money-cost of living. The pressure of the real cost of living will be unabated.

Economic relationships and the operation of fundamental economic forces are obscured by the form and mechanism of our present industrial organization—by the fact that no one person himself produces more than a small part of what he himself uses; by the fact that he works as a small part of an industrial unit and does only a small part of the total work involved in producing the product that his unit produces; by the fact that he does not receive as his share of the product of his unit, a part of that product, but receives, instead, money; by the fact that exchange is not made directly of product for product, or of labor for product, but that, on the contrary, the

worker exchanges his labor for money, his employer takes the product and exchanges it for money, and all the people who receive money incomes exchange the money for the products they want. The fact that all our exchange is thus *indirect*; that there is, and must be, a *medium of exchange*, money,—necessary though this is in our modern industrial organization which is based on the principle of the division of labor—obscures the real purposes of industry and the working of economic laws.

However, if we look through this external mechanism to the underlying purposes and forces, we shall see that it is impossible to improve or lower the well-being of the whole mass of industrial workers by merely increasing or decreasing their money incomes. The only way to effect either is to increase or decrease, in all or nearly all lines of production, the total volume of product. No matter how much money is paid to the masses of the people, with it they cannot buy bread that does not exist; they cannot buy shoes that do not exist; they cannot buy clothes that do not exist; they cannot buy any of the necessities, comforts and luxuries of life that do not exist. And these things exist and are available for purchase only to the extent that they are produced. To increase or decrease money incomes without at the same time increasing or decreasing the volume of output in the various lines of production, must of necessity result in, be accompanied or preceded by, a like proportionate change in the general level of prices—by a like proportionate change in the money-cost of living.

Every dollar of money income, no matter by whom received, is spent in the purchase of goods and services. The goods purchased are either consumption goods, *i.e.*, goods that directly satisfy human wants; or pro-

duction goods, *i.e.*, machines, tools, buildings, etc., used in further production. The exception to this in the form of money hoarding is negligible; indeed, it merely alters the division of the product of industrial society slightly at the time of hoarding and at the time of bringing the money out of the hoard. The fact that not quite all of the money income received during a given period of time—given week, given month, given year—is spent in that period but that there is a lapping over into the next period, is of negligible consequence because of the drag from the preceding period.

That the income that is “saved” by depositing it in savings banks and other institutions is also spent becomes evident if we follow it to its ultimate disposition. For these institutions “invest” it, *i.e.*, buy national, state or municipal bonds or the securities of railroads and industrial corporations. The ultimate receivers of the saved funds spend them either on consumption goods or in the purchase of machinery, tools, erection of buildings, bridges, street paving, road building and so on. Whether spent directly or “saved,” every dollar of money income is spent in the purchase of goods or services.

All goods that are produced are sold. The spoilage of strawberries over the week-end and of other perishable goods may be neglected for the purpose of this analysis. Indeed, any spoilage, any failure to sell goods once produced, represents to some extent a defeat of the ultimate purpose of our industrial structure and activity, which is to provide the greatest attainable abundance of all goods in the proportions in which they are needed for the satisfaction of the wants of all people.

It follows that the sum total of money incomes received during a given period, particularly if that period be a

year, is exchanged against the sum total of goods produced and personal services rendered during a corresponding period. We say, "corresponding" rather than "same" period for two reasons. First, we have already shown that a large portion of our current weekly or monthly money incomes are spent, not for the products on which we worked during the week or month in which we earned the incomes but upon the products of our earlier endeavors—earlier by a few weeks, possibly months: the purpose of this week's productive activity is to provide for our wants of next month or next winter: Second, there is a little elasticity in the relationship. In the case of those goods whose production is seasonal, stocks accumulate during the production period and are depleted during the remainder of the year, or consuming season. Also, the stock of consumption goods may be built up during a given year or other comparable period of time; but there is a practical limit to the extent to which this can be done because of the expensiveness of carrying large stocks. In foods and other materials produced by the extractive industries, stocks are accumulated only to the point required as a margin of safety against lean years (and not always to that point) and then simply maintained. Again, in the case of savings, time is consumed in their transition through the financial institutions to the organizations that ultimately spend the funds; furthermore, a large part of this spending waits upon the appearance of its objects of expenditure which are produced to order. Therefore, we say "corresponding" period.

MONEY, PRICES AND GOODS AND SERVICES

This relationship establishes a close correspondence between three systems

of facts; viz.: (1) the volumes of output of the various kinds of commodities and services; (2) the aggregate volume of the [flow of money income and its division among persons with their varieties of wants; (3) the prices of commodities and the general level of prices.

Keep the volume of money income steady and increase the rates of production of the various kinds of goods, and two things happen. First, the money costs of production of these various kinds of goods are reduced; for what are money incomes to the recipients, are money outgoes to the firms and corporations paying them. Consequently, these goods can be sold at correspondingly lower prices and still leave the business as profitable as before.

On the purchasers' side, they have no more money per week to spend in the purchase of all these goods than previously at the smaller rates of production. Consequently, if a greater volume of goods is to be sold they must be sold at lower prices. And competition among rival producers, no one of whom wants unsold goods left on his hands or wants to close his plant and let the still normally profitable business go to his rivals, as well as competition among products under the aforesaid condition of reduced costs, will bring the prices down.

In this case, there is an increase in social well-being. With the same money incomes the masses of people are able to supply themselves in greater abundance. Such being the case there may be a change in the proportion between direct consumption and "savings," in the direction either of a greater proportion of saving or of a greater proportion of immediate consumption, according to what seems the more worth while to the mass of the people, each person deciding for him-

self. Nevertheless there will be an absolute increase in both consumption and saving. Because of the change in proportion, however, the prices of production goods and of consumption goods may not be reduced proportionately, and, in fact, because of a shifting of industry, the total volumes of the two classes of goods will not be permanently increased in the same proportion.

If the volume of money incomes is maintained constant and the rates of production of the various commodities are lowered, the reverse situation is produced. Money costs per unit of output are increased and the goods cannot be sold so profitably, perhaps not profitably at all, at the old prices. On the other hand, purchasers having the same amount of money per week as before and competing for a smaller available quantity of goods, will bid up the prices. And the producers, because of their increased unit-costs, will ask higher prices and be able to get them. Thus, even if money incomes are maintained constant, decreased production means decreased well-being of the recipients of income—of the mass of the people. What probably happens in this unfortunate situation is that the prices of consumption goods, particularly of the necessities of life, rise more than do the prices of production goods, that there is a change of proportion between consuming and saving, saving being reduced under the pressure, and that the expansion of industrial facilities is checked. If the stress is great enough, existing facilities may not even be maintained; railroads, industrial plants and so on are let run down, producing a condition for which industrial society later must pay.

If the rates of production are kept constant and money incomes generally are increased, two things happen.

First, since from the viewpoint of the producing firms these money incomes are production costs, these production costs per unit of product are thereby increased, the products cannot be sold so profitably at the old prices and higher prices will be asked. And higher prices will be paid. For, second, the whole mass of purchasers, finding themselves with more money per week, there being, in fact, no more goods available for purchase with this money, will be able to pay the higher prices for such goods as are available. Competition among this great mass of rival purchasers, each of whom will insist upon getting at least as much as he was getting before, will cause the prices to rise until the whole increased volume of money income is absorbed in the higher prices.

Thus mere increase in the money income of the mass of the people does not cause increased well-being. In this case, since the various kinds of goods are produced not only at the same rates of flow but in the same proportions as before—in other words, since the sum total of economic well-being is not changed—all prices will tend to rise in the same proportion.

In like manner, if production rates are maintained constant and money incomes lowered, prices must come down proportionately. On the purchasers' side, there is less money with which to buy this same volume of goods and there must be a reduction in prices if all the goods are to be sold. On the other side, the money costs of production are lowered so that the producers can sell at proportionately reduced prices and still leave the same proportionate margin of profit; and competition among rival producers no one of whom wants goods left on his hands or an idle plant when it could still be run profitably, will force the prices down.

Therefore, the economic well-being of the mass of the people can no more be bettered or injured by a general proportionate increase or decrease of money incomes unaccompanied by a like change in the general productivity of industries, than can a man lift himself over a stone wall by pulling on his boot-straps. Indeed *the general level of money incomes is nothing and the general productivity of industries is everything* in the economic well-being of the great mass of people.

However, it may be claimed that, while this is true of the sum total of money incomes, wage incomes constitute only a part, not the whole, of this sum total and that a general wage and salary increase will benefit the recipients because it will increase the wage earners' proportion of this sum total; that therefore the wage and salary class will get more, and the profit taking class will have less.

This reasoning would be valid if the increase in the sum total of money incomes were of necessity limited to the wage and salary increases granted—if the wishes, beliefs and motives of land owners and business men, whether farmers, manufacturers, transporters or distributors, were of no weight in the matter. But they are of the same proportionate weight as before and the increase in the sum total of money incomes is not limited to the wage and salary increases. On the contrary, the landowners have the power to advance money rent rates to the point at which they can get the same proportion of the total social product as before; business men have the power to advance their prices so as not only to cover the advance in production costs, inclusive of land and other rents, but to restore their margin of profit to the same proportion as before. Not until the mass of workers simultaneously find means of changing the motives,

convictions and desires of landlords and of business men so that competition among their weakened wills will compel them in a given situation to be content with less rent and a smaller margin of profit than is now the case, will workpeople be able, through a general proportionate advance in their money incomes, to increase their proportion of the total social product. When they attain this power, they can increase their proportion *without* any advance in their wage- and salary-rates.

It is true, indeed, that if the wage earners of one particular business establishment obtain a general increase in week-wage rates without giving a corresponding increase in production and without there being a corresponding adjustment of the wage-rates and production costs among that house's competitors, then the increased wage incomes may be at the expense of that firm's profits. For while its unit-costs are increased thereby, this firm cannot recoup itself by raising the price of its commodity. Competition of rival producers, who are not restricted by like increased costs, will prevent.

However, if all competing firms are subjected to a proportionate wage increase, they are left on the same competitive footing as before the wage increase and can, and will, increase their prices not only to the extent of the increase in unit wage-cost but to the extent of a margin of profit on this cost in addition. In this case, the manufacturers may not be able to maintain the same *proportionate* margin of profit, because, with the advance in the prices of this commodity, the mass of the general public—the people in the other industries—who have not had their money incomes increased, cannot buy as much of this commodity and, at the same time, buy as much of everything else as before.

They must reduce their purchases of something. Probably they will reduce somewhat their purchases of many things; however, the commodity whose purchases are most reduced is the commodity whose price is advanced. The more necessary is the commodity, the less is the effect on its purchases; the less it is necessary, the greater is the effect. So that unless those industrial workers who get the increase spend the whole of it, and even more, in the purchase of the very commodity they are producing (an act that would leave them worse off than before) their increased money income would to a certain extent come out of their employers' profits.

However, reduced volume of sales means reduced production and reduced employment. Advancing the price of one commodity out of its former relationship to the prices of other commodities, reduces the effective demand for it and creates idleness and unemployment within that industry until a transfer of production facilities and working force to other industries can accommodate the remaining capacity to the reduced demand. During this period of adjustment, unemployment will offset, to a considerable extent, the increase in wage-rates, perhaps even reduce the total annual money income of this group. There is such a thing as a group of persons' over-reaching themselves.

However if the wage increase be general, not to one industry but to all industries, then the remainder of the buying public also would have proportionately more money to spend, could sustain the higher prices and not only would the increased cost of the product of the industry in question all be passed on in higher prices, but the higher unit-costs of all other commodities would also be passed on in higher prices. Furthermore, materials

would cost more; machinery and tools would cost more; for these are themselves products. And when the process of adjustment was complete, we should have passed to a general higher price level in which money profits would share proportionately.

While workers cannot increase their proportionate share of the total product of industrial society by means of a general proportionate increase in wage- and salary-rates, unless the volume of production is also increased, neither can employers increase their share of this product, or reduce the workers' share by a general proportionate decrease in wage- and salary-rates. For, as we have already seen, unless production is reduced, prices must come down in like proportion and a 20 per cent less money income will buy the same quantity of commodities as before. The essential thing is that production be maintained undiminished.

Likewise, if industry has come to equilibrium at a given system of rates of production, income rates and prices, there cannot be an arbitrary reduction in prices not justified by increased productivity and reduced production costs without a corresponding reduction of money incomes inclusive of wage- and salary-rates, *i.e.* unless production stops. A reduction in prices without correspondingly increased productivity of industry means reduced gross money income of business men. If the expenses of production are not decreased, this means not only that profits are reduced both absolutely and relatively but that they may even be converted into losses. The latter condition cannot last long. Nor can a relative reduction in profits endure long unless the normal mental attitudes of business men have altered in that direction. Pressure will be put on workers through demands, argument and un-

employment until wage- and salary-rates have undergone a like proportionate change.

While wages cannot entrench on profits by means of general proportionate wage-rate advances and profits cannot entrench upon wages by means of general proportionate decreases in wage-rates, nevertheless it is possible for one person to benefit at the expense of the mass; for one group of industrial workers to benefit at the expense of the others; for clothing cutters, for clothing workers as a whole, for glass-blowers or railroad workers either to benefit at the expense of the mass by means of a wage-rate increase or to be injured by a wage-rate decrease. If the total money income of society is \$100,000,000,000 a year, of which my portion is \$10,000, then my annual purchasing power over the product of industrial society is 10,000/100,000,000,000, or one ten-millionth part of the total, the exact meaning of which depends upon the proportions in which I value the various commodities as compared with the proportions in which the remainder of the whole competing mass of purchasers values them. Double my income, keeping that of everybody else unchanged, and my purchasing power becomes 20,000/100,000,000,000, or 2/10,000,000 part of the total; I have practically doubled my purchasing power at a slight loss to every other member of society. Cut my income in half without changing that of anybody else, and my purchasing power becomes 5,000/99,999,995,000, or 1/19,999,999 part of the total; it has been cut practically in half to the benefit of every other member of society.

The foregoing takes no account of the effect upon production that may be caused by doubling or halving my income. Likewise, if the original hundred billions includes, say, \$416,-

000,000 earned by 200,000 clothing workers, and they can get this increased by 100 millions without there being any change in the money incomes of anyone else, their combined purchasing power becomes increased thereby from 416/100,000 to 516/100,000 part of the total product of industrial society, an increase of nearly 24 per cent in the purchasing power of this small group at an expense of slightly less than one-tenth of one per cent to every other member of industrial society. A like proportionate advance to 3,000,000 workers in the building trades would come at the expense of fifteen times as much or 1½ per cent, to the remainder of industrial society.

We say "expense" because if the wage increase is not accompanied by a corresponding increase in the productivity of these workers, the more purchasing power they get the less is left for other people. We do not mean, however, that such increases may not be justified—that they may not merely correct a relative under-remuneration of such groups of workers as compared with the great mass of other workers, as probably was true of some of the wage increases obtained by the formerly sweated clothing workers.

Therefore, while it is not possible to better the standard of living of the whole mass of industrial workers by a general proportionate increase in money wage-rates, or to lower their standards by a general proportionate rate decrease, and since, therefore, *the cost of living as a basis of wage-rate adjustment is impotent for the mass, unsound in principle and vicious in its operation*, it is possible to give preference to one class of industrial workers or to a few classes as against the others by increasing their wage-rates and holding those of the others down.

This is all that wage adjustments that are made on the basis of living cost do; whether the basis of adjustment is some assumed "living wage" or merely relative changes in the cost of living. They merely give a *preference* to the workers affected as against the remainder of the mass of people.

RELATIONS BETWEEN WAGE-RATES OF VARIOUS OCCUPATIONS THE IMPORTANT MATTER

It may well be that in certain cases such preference is just—that, as a matter of fact, these industrial workers were underpaid as compared with the general mass of industrial workers and that what appears to be a preference merely adjusts the wage-rates of these workers to proper relation to the general system of wage-rates. No doubt clothing workers were at one time so underpaid—the time when they received mere pittance under the piece-work sweatshop system and perhaps even in more recent times. It is not unlikely that department store sales girls have been so relatively underpaid. However, the question in such cases is *not* what is the relation of the money wages to a living wage (such an undefined expression!), not what is the relation between the change in wage-rates and the change in the cost of living. The *real* question is this: What is the relation between the wage-rates of the various occupations in this industry to the general mass of wage-rates? Are these workers underpaid, overpaid or properly paid for the work that they do as compared with the general system of wage-rates for the work that their recipients do?

Answer this question correctly and adjust rates accordingly, and distributive justice as between various groups of industrial workers will be accomplished. Answer it correctly and ad-

just accordingly, and the purpose of "minimum wage" legislation will be accomplished and more than accomplished, *if the affected workers produce a minimum of subsistence or more.* Answer this question correctly and adjust accordingly, and we need not inquire how large a man's family ought to be, how many pairs of shoes, how many pounds of potatoes, of beef, of sugar and the like, he needs. As if industry were carried on primarily for the benefit of landowners or business men and they were to get all the product of industry in excess of what the members of the labor factor need barely to sustain life or in excess of some uniform standard of living that some self-constituted body may fix upon! As if there were or could be a uniform standard of living! As if an attentive, ambitious, highly productive tool maker should be deprived of a part of his product for the benefit either of his employer or of his unambitious, inattentive, relatively unproductive brother tool maker! As if highly trained, highly skilled tool makers should receive no more pay and live no better than the untrained, unskilled worker just entering industry! As if the structural steel worker who risks his life every minute should receive no greater remuneration and live no better than the farm worker who works in comparative safety! As if the coal miner who spends a large part of his life in damp dusty darkness, or the drop forger who sweats before fierce furnace fires should receive no greater remuneration and live no better than a sleeve maker, sitting comfortably before a sewing machine in a well-lighted sanitary factory! We have already shown that a standard of living is a personal thing, effective only as it restrains and stimulates and governs individual conduct. There is not one standard of living among the

workpeople of the world but millions of them.

When a worker feels the pressure of the cost of living (and no matter how large money incomes may be, workers will continue to feel the pressure of the cost of living so long as the productiveness of industry is little more than sufficient to meet the primary needs of the people, so long as the increase of population keeps pace with the accumulation of capital and the advance of science and the industrial arts), he naturally is also pressed to increase his own income. Any group of workers so pressed naturally reacts in the same way and, if organized, makes its demands. This should raise the question of whether this group is properly paid for what it does as compared with the remuneration of other groups for what they do.

ELEMENTS DETERMINING NORMAL RELATIONS AMONG WAGE-RATES

The answer, however, must be sought, not in comparing their wage-rates with the cost of living at any assumed standard, but in a comparison of the wage-rates of the group in question with the mass of other wage-rates, and in an analysis of the various jobs, operations or occupations with reference to those influences or factors that, at any given system of rates, affect the relative supply of workers in these various jobs, operations or occupations. Here we hark back to Adam Smith. Let us consider the production of the various commodities in certain given volumes. With a given technique of production there is a certain system of operations, on each of which is needed, at certain given rates of effectiveness or productivity, a certain number of workers. There is a certain given population potentially available for distribution among these operations. Will workers be available

for these various operations in the quantities and proportions needed? That depends upon the relative rates of remuneration. Some operations require quick, keen intelligence, some do not; some require a long time in which to come up to full proficiency, some can be mastered in a few days; some require a certain background of general knowledge and education, some can be well performed by gross illiterates; some require great strength, some require very little; some require fine precision and close attention, some require much less accuracy and put no strain on the attention; some entail large responsibility because of the loss or damage that can easily result from carelessness, some entail little responsibility; some subject the workers to great discomfort, some are comfortable and agreeable; some subject the workers to health deterioration, others are perfectly healthful; some are dangerous, some are safe; some subject the workers to long seasons of idleness, some offer opportunity for working as continuously as the worker himself is willing to work. And so on. Between the extremes there are all gradations.

Each of these aspects of an operation or occupation constitutes a degree of restraint that prevents the free flow of workers from one to another, or a repelling influence or, perhaps, an attracting influence. At a given system of relative wage-rates the industrial population will, in the course of time, distribute itself among these occupations and operations in certain proportions. If these are the proportions in which they are needed, well and good. At any given arbitrarily chosen system of wage-rates, however, it is altogether probable that the supply of labor would be short of the demand in some operations and in excess of the demand in others. Competition will tend to raise wage-

rates in the one case and lower them in the other. Competition will tend to adjust relative wage-rates so that the demand for labor will equal the supply in each operation. And the final test of the relative accuracy of any system of wage-rates is their relative power of attracting and holding workers in the proportions in which they are wanted.

The proportions in which workers are needed in the various operations and occupations are undergoing continuous change, however, owing to the coming of new employers, the disappearance of old, the expansion of some establishments, the contraction of others, the appearance of new commodities or improved designs of old and the fall of others from favor, the change of fashions and the change of consumption habits. Industry is in a state of continuous flux: equilibrium is never attained. Because of the restraints spoken of above, the working population cannot adjust itself instantaneously to these changes. Hence, even if demand equalled supply all along the line at one time, it would be out of adjustment at another; there would be a relative deficiency of workers in some lines, a relative surplus in others. In the occupations with relative surplus force, market wage-rates may temporarily be depressed below the normals, the rates that will normally be approximated, a condition that leads to high labor turnover; while in others, the temporary scarcity and resulting abnormally high rates may attract more people relatively than can normally be accommodated, a condition that later will contribute to abnormally low rates and high labor turnover there.

These mutually disadvantageous conditions could be avoided if we had some means of determining the normals and could pass directly to them. We know of no way to accomplish or

even approximate these except by conscious analysis of each operation with reference to the degree to which it involves each of the above enumerated influences and any other which later analysis and more mature consideration may find pertinent, rating all operations with reference to each influence, getting for each operation a rating factor for each influence, and combining all the factors for any given operation into a single relative rating factor. Thus a certain operation might be rated unity on the danger factors; 1.5, on strength; unity, on precision and attention; 1.25, on discomfort; 1.3, on intermittency of employment and so on resulting in a combined relative rating factor of $1 \times 1.5 \times 1 \times 1.25 \times 1.3$ and so on, or 2.44 for the five component factors given. For another operation, the series of factors might be $1.05 \times 1 \times 1.2 \times 1.1 \times 1.15$ and so on, or 1.59 for the same five components. Were these the only components or were all the other components unity for each of these two operations, then the relative wage-rates for equal degrees of technical effectiveness would be as 2.44 to 1.59; if the wage-rate for one was 48.8 cents per hour, that of the other would be 31.8 cents.

Such relative rating would be no easy process. It involves painstaking analysis of each operation. It involves invention and definition of units of discomfort, of exposure to injury, of exposure to ill health, of exposure to unemployment, of strength, and so on; it involves a relative valuation of these influences one to another. It involves much that has never been undertaken except to a small extent recently in psychological laboratories. It is not something that can be completed this year. It is not a basis of wage-rate adjustment that is available in the present situation. Yet it is something the results of which are approximated by

every concern that adopts a successful wage scale at which to hire, and by which to advance, workers in the occupations and operations with which it is concerned. And it is something that may be available in the next situation, like the present one, if we commence and carry on the researches through which we must go to reach the goal.

PERFORMANCE STANDARDS NECESSARY FOR EFFECTIVE RELATIVE RATING

Such a relative rating must refer to a definite amount of work or rather a definite degree of effectiveness in each operation or occupation. We cannot effectively rate handkerchief hem-stitching and coil winding as mere names of operations; we must rate a definite degree of effectiveness of performance in these two operations. If stitching rolled edge hems on 100 dozen 9-inch by 9-inch handkerchiefs in 7.8 hours with 24 stitches per inch on a machine speeded at not less than 2,825 stitches per minute is a fair rate of performance, and if winding 390 Ford ignition coils in 12.3 hours under similarly specified conditions is a fair rate of performance, then in relatively rating these two operations they should be rated at these rates of performance. This establishes relative ratings at certain standards of performance. Then, within the operation, the individual worker may be remunerated according to his actual performance; if his rate of performance is 90 per cent of the standard his remuneration can be fixed at 90 per cent of the standard rate for the operation; if 110 per cent, it can be fixed at 110 per cent of the standard rate.

Obviously this involves the careful analysis and study of work and the careful determination of fair standards of performance. Furthermore, to be fairly applied, it involves a kind of management that effectively main-

tains the conditions on which the performance standards are based.

RELATIVE RATING A FORCE MAKING FOR STABILITY

Such a relative rating would operate to stabilize the rates of remuneration for the various classes or grades of operations and occupations. Stabilizing these automatically stabilizes the prices of commodities except in so far as natural phenomena, such as variations of weather conditions in agricultural and animal husbandry, intervene to vary the productiveness of industry, and except in so far as progress in the industrial arts makes industry more productive and lowers the price.

We submit that such stabilization is highly desirable. We submit that such instability as that we have experienced in the last few years is demoralizing and distressing.

RELATIVE RATING NOT A BAR TO INDIVIDUAL ADVANCEMENT

Does stabilizing rates of remuneration mean that the individual worker will strike a level of earning power and go no further during the remainder of his life? By no means. The individual can still progress as rapidly and as far, on the average, as is now possible. The ranks of industrial workers, whether managers or workers at the bench, are continuously being depleted by retirement, disability and death; they are continuously being recruited by others who enter industrial work, mostly by the young persons who come up to the age of self-support. Naturally as persons drop out of the operations of higher skill and value, their places will be taken by advancement from the operations of less skill. Naturally the person who is just entering industry is inexperienced, unskilled and must go into relatively less

skilled and low valued work. Hence the normal course of development of the individual is gradual advancement from work of relatively low value to work of relatively high value.

The thing for workers to insist upon is that these opportunities for advancement to work of higher value, including advancement to all grades of executive work, be offered on the basis of proved merit rather than upon the basis of either favoritism or indefinite impression.

PRACTICAL PROCEDURE TO START RELATIVE RATING AT ONCE

Is it necessary to wait until all this analysis is completed in order to get a working basis for relative rating? We think not. The Franklin Motor Works used the rates for the various occupations that prevailed in 1905 as the basis of their relative rating. The rates of that year were chosen because those seemed to be the rates most

satisfactory to workers as evidenced by the low labor turnover rates of that year. From the viewpoint of workers this is probably the best index to the relative satisfactoriness of rates. If the rates of turnover are the same in the various occupations and operations or if they increase as we go downward from the highest valued operations, but increase gradually (for we hope that those in lower valued operations are less contented than those in the higher valued and seek to progress), this fact may be taken as indicating fair satisfactoriness of such rates.

Such a basis gives us a start. Then, if workers and employers accept the principle of relative rating and are willing to coöperate in putting it into operation, the work of analysis, rating, testing and correcting can start and proceed until in the course of time the data for more satisfactory relative rating accumulate and become practically available.

Wage Adjustment

By SANFORD E. THOMPSON

The Thompson and Lichtner Company, Consulting Engineers in Industrial Management and Construction

THE problem of wage adjustment must be considered from three angles and each of these three requires independent treatment:

1. General wage levels
2. Relative wages
3. Individual earnings

Wage levels, meaning the average earnings of large groups of workers, are governed not merely by laws of supply and demand and all of the variables incident thereto, but also by fluctuations in money values that are produced largely by causes outside the range of wage action.

Relative wages may be considered as the relative levels of earnings in

different operations in the same establishment and, in a broader sense, the relative levels in different localities and in different industries.

Finally, individual earnings should be determined by individual production. In these, more and more account is being taken—although this is often excluded in economic theories—of the ability of the particular shop or the particular industry to pay through natural causes, or the skill of the managerial organization to obtain with the coöperation of the worker, exceptional results.

At the present time it is the general wage level that is uppermost in the treatment of the problem of wages.

COST OF LIVING AND GENERAL WAGE LEVELS

Mr. Mitchell is correct in his conclusion that the actual cost of living cannot be used as a general basis for the fixing of wages, not only because the volume of wages must be governed by production, but also because the varying needs and different sizes of families prevent the fixing of a definite figure as a necessary requirement for earnings. The variation in budgets has been brought to the attention of the writer very forcefully in connection with recent arbitration proceedings.¹ At the same time, budgets of cost of living are useful incidentally in examining minimum wage-rates provided these are considered as real minimums and not, as is too frequent, average wages. They are also useful in comparing wage levels in different localities where living costs vary. In other words, data on cost of living may be considered as one of the factors to be used in adjusting the distribution of the returns to the workers, in preventing a too low minimum remuneration when the supply of workers is largely in excess of the demand, and, in fact, in considering the workers' share of the returns in cases where this is assumed to be the important element.

The increase or decrease in cost of living, on the other hand, provides definite information of distinct value in the adjustment of general wage levels. The cost of all products is chiefly a labor cost. Analysis of cost of building construction,² for example—although materials, such as lumber, brick cement, etc., average some 43 per cent of the total cost—shows labor as

87 per cent of this total building cost because the cost of the materials themselves so largely consists of labor. Other products show similar results. In fact, 80 to 95 per cent of the value of practically all products represents labor. For this reason the curve of the cost of living, made up as it is of the cost of various products, proportioned substantially on the basis of consumption, furnishes a guide to the trend of wages in the manufacture and distribution of these various products and, therefore, one of the bases for wage adjustment proportional to the cost of living prices.

Comparison of cost of living and wage curves over long periods shows the same general trend. The tendency of both is upward from year to year with extreme fluctuations only in such periods as that through which we are now passing, when conditions have been so abnormal. The upward slope of the wage curve should be greater than the upward slope of the cost of living curve because the increasing productive capacity of a man, due to improved machinery and methods and standardization, tends to raise wages and reduce costs, thus giving more and more margin for savings, luxuries and recreation.

SCIENTIFIC ANALYSIS AND RELATIVE EARNINGS

In thus considering the general aspects of the problem, however, the importance of scientific treatment of the features that affect relative earnings must not be minimized. Certain efforts, as Mr. Mitchell indicates, have already been expended along these lines with interesting results. One factor, labor turnover and its effect on the cost of training workers in the various branches of the shoe industry, has been investigated from a practical standpoint so as to provide a basis

¹ *The Rochester Shoe Wage Arbitration* presented before the American Society of Mechanical Engineers, December 6, 1921.

² See diagrams by the Thompson & Lichtner Co. in the *Boston Evening Transcript* May 21, 1921.

for the consideration of this particular element in this particular trade.³ In recent discussions with labor union officials the factors of training and skill have been brought out as elements in the determination of relative wages in the shoe industry. One of the most irritating features in this industry, in fact, to both the workers and manufacturers, are the uneven earnings due to lack of balance in the different departments, in some of which the workers earn relatively too little and in others, relatively too much. The unions at the present time are advocating analyses of fundamental conditions to get at the various factors which affect the relative and actual earnings. The necessity is evident, then, for studies such as are suggested by Mr. Mitchell, for more exact records of accomplishments, for laboratory experiments, and, particularly, for analyses in the shop which, after all, is the most effective laboratory. For this there must be greater coördination between industries and keener layout of the activities of the various manufacturers' associations not merely for investigating price fixing but for comparing methods, collecting facts, and analyzing conditions in the individual shops of the associations.

³ See "Assay on the Boot and Shoe Industry" by Sanford E. Thompson in *Waste in Industry* presented by the Federated American Engineering Societies.

THE FIXING OF THE INDIVIDUAL WAGE

The third division of the problem, the fixing of the individual wage, is as fundamentally important as the other two. Not until more definite standards of production are available, not until the manufacturers and workers alike realize more fully the need of intensive study, of job analysis, of the type of production control that eliminates the delays and idle time of man and machine, not until the wastes in the industry are recognized—and not merely recognized but attacked in scientific fashion—can we hope even to approach a solution of the wage problem. But we have this fact to prove to us the possibility of attaining the goal: certain plants, few to be sure, but representative, have attained notable results in their attempts to solve the wage problem. They have attained these results not through chance, not through fortunate conditions, not through superhuman efforts of a phenomenal executive, but through a study of causes, a presentation of facts and a derivation of standards. And these have been attained, moreover, not by the employer working as an autocrat of the old-fashioned school, but through the coördination and the coöperation of efforts of the employer and the worker.

The Development and Accessibility of Production Records Essential to Intelligent and Just Determination of Wage-Rates

By SAMUEL GOMPERS

President, American Federation of Labor

DR. Mitchell's discussion emphasizes the fallacy of determining wages on the basis of costs of living—a fallacy which labor pointed out in our Denver convention, directing that an effort be made to develop a theory of wages that accords with industrial facts. Such an investigation must come to grips with fundamentals not only of economics but human nature.

A glimpse into the nature and the ramifications of this field is given in Dr. Mitchell's discussion of relative rating. The distinguishing characteristic of the human being is creative ability—ability to record experience and to utilize past experience to make progress. What Dr. Mitchell calls performance standards ought to be of such a nature as to release all the creative energy of the workman and to enable the workman and the management to judge the quality of creative workmanship manifested. What the workman wants is opportunity "to be something," to master forces and materials and to show the power of his mind and the skill of his hand. On the other hand, the necessities of economic conditions of life demand that creative ability be compensated, and the human sense of justice requires that the compensation be in proportion to the value of the work done. A sense of injustice inevitably represses creative ability.

It seems to be a difficult thing to bring many practical business men to understand that the spirit of producing workmen must be uncurbed if production is to rise to full capacity.

To unfetter the spirits of men is the underlying philosophy of our trade union movement. We want to scatter opportunities for use of brain throughout the whole industry. We want an opportunity to master our machines and production processes. Labor is seeking a wage philosophy based upon these fundamentals.

While those sections of Dr. Mitchell's paper which precede his discussion of relative rating may coincide with the academic theory of static economics, it is not altogether in harmony with the fight which wage earners have been forced to make to increase or maintain their wages. Our national income is computed both in terms of money and of products. I have repeatedly stated there can be no general permanent betterment of standards of living without increased productivity. But we wage earners know that from time to time we have increased our home comforts by forcing a more equitable distribution of incomes. That was worth doing; it meant opportunities for ourselves and our children. We also know that when we force wages up the management at once begins to consider labor-saving machinery and improved methods. Increased productivity follows. Economists have before this tried to discourage us from asking for wage increases by assuring us that all our gains were absorbed by price increases. Statistics have been marshalled to demonstrate lessons in pessimism. However, there are not adequate statistics in the industrial field to demonstrate any theory conclusively.

Not five per cent of managements keep production accounts in such a way as to show real production conditions. Managements seem to feel that such accounts as are kept are for their private information. Now every workman who puts his creative ability into an industry has a right to an accounting in order to know the justice of his compensation. The purchasers of the products have a right to know production costs in order to judge the fairness of the price. There ought to be just as much publicity about the bases upon which prices and wages are determined as about prices and wages themselves. And yet we find steel companies challenging the authority

of a governmental agency to access to production costs!

The prerequisite to intelligent consideration of wage problems is full and complete knowledge of production accounts and distribution of incomes from producing establishments. We need that data over long-time periods so as to determine the results of managerial policies and to determine the curves of the relative allocations of income.

There should be a steady increase in the compensation allotted to creative ability if that ability is to be sustained. I urge as essential to more intelligent and more just wage determination, the development and the accessibility of production accounts and statistics.

Relative Rating Leaves the Main Industrial Problem Untouched

By A. J. PORTENAR

Formerly, Superintendent, Bureau of Employment, New York State Department of Labor

IN our industrial system labor is a commodity, the Clayton Act to the contrary notwithstanding. It is therefore subject to the law of supply and demand, modified by monopoly and gentlemen's agreements on the one hand, and by the myriad variations of individual circumstances and individual temperament on the other. Individual workers being manifestly at a disadvantage, workmen are gravitating to the method of collective bargaining, not because they are then assured of just and properly graded bases of remuneration, but because they are then in a better position for haggling with their employers, according to the methods of the market place, without regard to that vague thing called justice, either in relation to employers or to each other.

This is elementary, as are some of your propositions. For example:

(1) Increases to one class of workers without corresponding increases to other classes of workers is at the expense of the latter.

(2) Increases to all classes of workers without increase of productivity is no increase to any of them.

(3) Increases to some classes of workers without increase of production, if of considerable proportion, lead eventually to decreased consumption and less employment.

There are other statements which are truisms. However, you must not think that I believe they should not on that account be stated: the right way is to begin at the logical beginning. But you have made some general statements which are at least debatable. For example:

The sum total of money incomes received during a given period is exchanged against

the sum total of goods produced and personal services rendered.

That statement is not true, as I shall later show.

Competition among rival producers . . . will bring the prices down.

This is only partially true: there are many artificial obstacles obstructing the unhindered operation of supply and demand—monopoly in any form, for instance.

There is not one standard of living; there are millions.

Here we have a statement technically correct, but essentially wrong. There is, within not very wide limits, a very distinct uniformity of standard of living among large groups of wage earners.

Answer this question correctly (adjustment of wage-rates between workers) and distributive justice as between groups of workers will be accomplished.

From my viewpoint this is a fallacious statement. If it can be done—and it is more than difficult—there would still be the necessity of adjusting return for capital invested in a “just” relation to wages. In other words, this is really the thing we have been fighting about for centuries. How much ought the boss to get and how much the worker? If we produce more, and then fight each other for jobs, the increased usufruct will be kept by the employer.

And the final test of the *relative* accuracy of any system of wage rates is their *relative* power of attracting and holding workers in the proportions in which they are wanted.

This admits of dispute. The use of the word “relative” gives a loophole. But as a dogmatic statement, without a lot of qualifying “ifs” and “buts,” it will not do. There are many factors besides wages which influence selection

of jobs by workers when they happen to be in a position to choose.

Relative ratings.

If relative ratings are the arbitrary product of an engineer's calculations, I should not want his end of putting it over—not on organized workers. In that connection I refer to your reference to structural steel workers, miners and drop forgers. Yet you must know from experience how much the employer cares about either danger or hardship for his employes as long as the “iron law of wages” makes them risk one and accept the other. Of course, a mathematical solution attracts an engineer, but the outstanding defect of his method is that he takes the labor factor and treats it in the same way as he does machines and products.

Performance standards.

In other words, piece work! Now piece work *vs.* time work is in itself so big a controversial subject that I will not start to argue what I cannot finish. The remainder of the article, which is connected with this phase of the subject, could also be argued at length. But I will say this much: If you did succeed in making relative rates of remuneration, you would still have the industrial controversy if everything else was left unchanged.

But you casually put your finger on one of the fundamentals in an earlier passage, where you say:

On the contrary, the landowners have the power to advance money rent rates to the point that they can get the same proportion of the total social product as before.

Here you have concealed a whole volume within one sentence. You know what unearned increment is—how everything that men do finds its eventual and *permanent* expression in increased land values. That is what I

referred to above when I stated that I would show to be untrue your statement that "the sum total of money incomes received during a given period is exchanged against the sum total of goods produced and personal services rendered." People live as well as they can, but there is still an unconsumed increment and that is absorbed in land values. Build a subway or a sewer, a railroad or a factory, the eventual result is the same—a larger productivity and a larger return to the lord of the land. It is no answer to say that one owner sold to another, and the new owner paid the bigger price. The old owner collected his unearned increment, and the new owner charges the price on his investment account and gets a return on it. Maybe he also sells and the process is repeated. If he does not sell, he charges the increased value and gets the return himself. All the while, the more we increase in numbers and productivity, the more we dump into the bottomless pit known as economic rent. Before the employer *as such* and his workers have anything to divide, they must pay the non-productive landowner for the privilege of producing. The more he

gets, the less there is for them to divide on any basis.

I am painfully aware that I have not said anything in all this discussion that definitely assists in the solution of the particular problem you present. The subject involves psychological as well as other factors: status as well as cost of living. For the moment, and until great changes are made, both in the mechanism of industrial society and the psychology of the human beings involved, I can see no better way of adjustment than the way in which it is accomplished now—by agreement between groups if possible, and by fighting for it when we must; voting for it when we have sense enough to abolish the underlying causes of dissatisfaction.

If the results of your "relative rating" and the union scale coincide closely, there will not be any trouble at that moment. If you let us in on the making of it, it will lubricate the process. But my conclusion is that no purely mechanical scheme can have any but a limited success, according to surrounding circumstances, and, under some circumstances, no success at all.

The Requirements of a Policy of Wage Settlement

By HERBERT FEIS

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ALL fruitful discussion must be launched from a point of emphasis, and in the preceding article Dr. Mitchell seems to me to have launched the discussion of wage settlement from the proper one. That is the emphasis it places upon the fact that all incomes are governed in the main by the total volume of the product, and tend to vary with variations in this total; tending to rise when the volume of the product of industry increases, and tend-

ing to fall when the total volume of product decreases. With that emphasis, and the conclusion it suggests, that high real wages are possible only in a country in which the general level of productiveness is high, there can be no quarrel. Once beyond that point of emphasis, however, I am compelled to differ with many of the conclusions he reaches in regard to a proper basis of wage settlement.

The chief differences I wish to make

clear may be approached by distinguishing between two principles, often used in wage settlements, which Dr. Mitchell treats as part of each other and subjects to a critical analysis. The first is the principle of wage adjustment by reference to price movements, which has been widely adopted in recent years. The point of reference under this principle has usually been an index number of the cost of living, and the principle is familiarly known as "the cost of living" principle. The second is the "living wage" principle, which has been applied mainly by state minimum wage commissions to a limited number of classes of female industrial workers. In this principle, the point of reference has been to a calculation of the cost of a hypothetical minimum standard of life, which standard has been variously defined in statutes and by agencies of wage settlement.

EFFICACY OF THE "COST OF LIVING" PRINCIPLE

The first of these—the cost of living principle—has been applied in wage disputes involving all grades of workers. It is invoked in times of changing prices. In practice it has usually been interpreted so as to support such an adjustment of money wages as would make real wages the same as before the price movement. Dr. Mitchell declares in substance that this principle is both ineffective and unnecessary—save, perhaps, as its use may indirectly affect the growth of the industrial population. This opinion he bases upon an analysis of the distributive mechanism under conditions often assumed in economic reasoning—the conditions of perfectly effective competition throughout industry, and of perfectly stable economic motives and habits. In other words, the economic situation he analyses is in a

state of static equilibrium. His conclusion is that each factor of production is receiving and must receive that share of the total product which is determined once for all by that state of relative plenty or scarcity of the different factors which underlies the position of equilibrium. No change in the amount of any one form of income, for example, wages, is possible without an increase in the total product. Any general advance in money wages is, according to his analysis, bound to defeat itself, because it will inevitably give rise to a proportionate rise in prices, rent and profit incomes. Thus, to change wages as the cost of living changes, is an ineffective and useless process.

A QUESTION OF THE DISTRIBUTIVE PROCESS

It seems to me as if this general analysis of our distributive mechanism must be challenged even in periods of stable prices, and, doubly so, if it is applied to a period of changing prices. At no time do I believe that the distribution of the total product moves towards an inevitable or "natural" result. At all times, due to the non-realization of the conditions on which Dr. Mitchell bases his analysis, there is a considerable part of the product which may be secured by any of the claimants upon it: at times of changing prices this part of the product is unusually great. The proportions in which the total may be shared out are variable, not fixed. These proportions are not governed entirely by a simple set of fundamental facts. The outcome of the distributive process—by which phrase we mean the whole series of negotiations and transactions in which the income of groups and individuals are arranged—is constantly being affected by the movements of the human beings interested in it. The

distributive situation is never tending to a position of equilibrium, expressive merely of a simple set of basic facts. On the contrary that outcome is always being influenced by the pressure, perception and plans of those concerned in it.

Thus I would conclude that the proportions of the total received by any and all groups may be, and is, to *some extent* changed by the decisions of wage boards, the activities of trade unions, employers' associations and the like. In a period of changing prices, it may be repeated, the extent to which the outcome may be influenced by such activities is greater than usual.

This amounts to saying that there is a part of the total product which may be ultimately secured by any of the claimants in distribution, depending upon their organization, activity, and public opinion as expressed in wage decisions, statutes and the like. The self-assertion of the wage earners is directed at obtaining this part of the product. Any principle of wage settlement that strongly favors their claims and restricts the claims of others, tends to serve the same end. This result may be effected only indirectly, if at all. A multitude of means are used to bring it to pass. Among them are the principles which the wage earners seek to enforce as the basis of wage settlement. It is impossible in this discussion properly to explain and justify this view of the distributive process. The elements of it may be found in Ricardo. Various aspects of it are presented by Hobson, the Webbs and Clay.

"COST OF LIVING" PRINCIPLE AN INSTRUMENT IN PRICE MOVEMENT PERIODS

In the light of this analysis of distribution the significance of the "cost of living" principle is easily understood.

As many statistical studies stand to prove, in periods of changing prices, wage movements do not follow price movements in any steady or natural proportion. The whole field of distribution is in a flux. Profits may mount to fall very rapidly. The course of wage movement may be very decidedly influenced by the activity and organization of the wage earners and other industrial groups. Any group that remains merely passive will probably receive a smaller share of the product than it might otherwise. In periods of price increase, the wage earners have found the "cost of living" principle a useful instrument to justify their claims; in periods of falling prices, the employers have found it hardly less useful to justify theirs. For public opinion, and official and unofficial agencies of wage settlement have approved it because of the fact that it has produced results not too unjust or unreasonable, on the whole.

The conclusion to which all this tends may be briefly stated. It is that in periods of price movements, due to the fact that the consequences of activity may be unusually real, there will be an unusual outbreak of movements designed to alter wage-rates. Therefore any policy of wage settlement must contain some principle for adjusting wages with reference to price movements. Whether the "cost of living" principle is the most satisfactory one possible, I will not attempt to discuss. Perhaps an index of change of the prices of all commodities produced within the country, rather than an index made up entirely of the prices of the important consumption goods, would be more in accord with fundamental economic relationships (or a compromise between the two).

It may be argued against this view that the price changes are themselves caused by the wage adjustments, and

that if no wage adjustments were made price changes would not take place. But that argument overlooks the plain fact that very many different influences may initiate price changes, chief among which are variations in the total volume of the product and monetary factors. Many price changes occur independently of wage changes. Unless some way is found to nullify the effect of these outside influences upon prices, price movements such as have constantly in the past evoked unusual organized activity will continue to occur; and this situation will have to be recognized by the use of some principle which adjusts wages in accordance with prices.

LIMITED APPLICATION OF "LIVING WAGE" PRINCIPLE

The other principle of wage adjustment that was made distinct from that of the "cost of living" principle can be more briefly dealt with. It is the "living wage" principle. By its very nature it must be but one element in a larger policy of wage settlement. It can be used only as a basis of settlement for the lowest paid groups of workers. It has been a practical method of attempting to bring about such changes in production methods and in the distributive situation as would raise the wages of these groups. If it were embodied in a policy of wage settlement, it would give these groups strong representation in matters of distribution. Its ultimate success would depend in a decisive measure upon the course of growth in numbers of those who are able to do only the simplest and most unskilled work. Combined with other social activities for education and protection of these workers, the enforcement of the minimum wage principle, it is hoped, would lead to a reduction in their proportionate numbers.

The principle has the support of a deep social conviction. Its object would be to improve the economic condition of the lower paid workers, by securing to them, in particular, the greatest possible share of that part of the total product which is indeterminate.

The two principles so far discussed would by no means form a workable or satisfactory policy of wage principles by themselves. They would have to be but parts of a more elaborate policy, which must meet difficulties not yet considered.

ADDITIONAL AIMS OF A SATISFACTORY WAGE SETTLEMENT POLICY

It would have still other results, chief among which I would put the following:

First, it would have to result in the gradual building up of an orderly scheme of relationship between the wages received by the different classes of workers in industry.

Second, it would have to contain provisions by which profit income (using the term to denote a mixed form of income, inclusive of interest) would be kept at a just level, so that the resulting distributive situation satisfies certain general ideas of industrial justice.

Third, it would have to be of such a character that any new forces of industrial change that may win public support could be worked out within its framework.

The first of these aims is at the basis of Dr. Mitchell's proposals of relative rating. The result sought is that brought out by Dr. Mitchell—the establishment of a stable relationship between the wages of different groups of workers, in order to prevent those disturbances in the price level and in industry which result from attempts on the part of *particular* groups of wage

earners to improve their *relative* position in the industrial scale. At present such attempts are constantly made and frequently result in extensive wage movements and many industrial conflicts.

POSSIBILITY OF AN ORDERLY SCHEME OF WAGE RELATIONSHIP

There is no certainty that any such scheme of wage relationship can be established. Its success could be assured only by consent, which in turn would be derived from satisfaction with the results of the policy of wage settlement taken as a whole. It would depend upon acceptance by the wage earners of the ethical doctrine that the interests of them all stands above the interest of any particular group or groups. It may even be said that a spirit of class consciousness would have to supersede the present spirit of group consciousness before any such scheme could be maintained. For unless the strongest groups of workmen—skilled men in essential industries—forbear to use their strength to the utmost at all times in their own behalf, any scheme of wage relationship would be in constant danger of destruction.

The chief difficulty to be met in the formulation of any ordered scheme of wage relationship, would be to fix the relative reward for different kinds of work. As Dr. Mitchell points out, any such scheme would have to be accurate enough to possess the power "of attracting and holding workers in the proportions in which they are needed in various occupations." It would, therefore, necessitate an analysis, on the one hand, of the character of each occupation and the qualities demanded by it, and, on the other hand, of the influences governing the movements of wage earners into different occupations.

A starting point for such analysis would be the existing "differentials" between the wages paid in different occupations at the present time. The scheme would have to permit, however, of the revision of these existing differentials after a study of the pertinent influences (chiefly, as has been said, the character of the various jobs and the capacities and preferences of the wage earners). If Dr. Mitchell's analysis of distribution were so, it could be said that existing differentials were necessarily correct, because of underlying economic facts and they could therefore be made permanent. But he himself rejects this conclusion. And his suggestions in regard to the methods that might be used in determining sound and satisfactory differentials ("relative rating" in his terms) are valuable.

FURTHER CONSIDERATIONS IN SCHEME OF WAGE RELATIONSHIP

In attempting to establish an ordered scheme of wage relationship, two further considerations would have to be reckoned with. First, employers and wage earners would have to be left free to enter into agreements which depart from the general scheme, as long as such agreements are reached by the mutual consent of those directly concerned. For no plan of "relative rating" could possibly be so accurate as to secure to employers the amount of labor of different kinds they required under all circumstances, or so accurate as to prevent wage earners from being sometimes thrown out of employment which they would rather hold at a lower wage. The scheme would have to permit all special arrangements reached by common consent. Indeed, and this is an important matter, the only occasions for applying it should be in settlement of serious industrial disputes.

Secondly, if any scheme of wage relationship is to be successfully established, the general policy of wage settlement will have to keep profits down to what is judged a fair level. For no group of wage earners will contentedly accept its relative position in the industrial scale, if inordinate profits are secured by the owners of industry. Here we touch close upon what has been said before. The maintenance of a scheme of wage relationship will depend upon the decision of particular groups of wage earners to forego the active use of their economic strength to get as large as possible a portion of that part of the product, which is indeterminate. This decision they will persist in only if the general policy of wage settlement assures the wage earners as a whole a great share of the indeterminate part of the product, as signified by the fact that profits do not stand at an unfair level.

NEED TO KEEP PROFITS DOWN TO A FAIR LEVEL

To assure that profits will be kept down to a fair level is the hardest task to be faced in the search for a policy of wage settlement, based on defined principles. One of the principles might be specifically addressed to that purpose. If such a principle is to be consistent with the maintenance of any scheme of wage relationship, it probably would have to take all industry within its scope: that is to say that if wages are adjusted with reference to profits, the point of reference would have to be the profit return throughout all industry. For it is likely that if wages in particular industries are adjusted with reference to profits in these particular industries, the scheme of relationship, of relative rating, would be disturbed. There may be a way in which such adjustments in particular industries might

be carried out without leading to a disturbance of relative rating, but it is difficult to discern. Conceivably, adjustments to profits in particular industries might be kept separate from all other adjustments, and made annually only, but any such plan would present many difficulties. Profit-sharing arrangements in particular industries, or even particular enterprises, could, of course, be entered into without disturbing the general scheme.

On the other hand, no principle of wage settlement which called for wage adjustments with reference to the profits return throughout all industry, could be adopted without calling for important changes in current business practices. For one thing, the enforcement of a standardized system of accounting (at least in representative firms) would probably be required. Only by some such means could an index of profits be secured.

It may be contended that the profits return in industry is not one of the pertinent factors to be considered in formulating a basis of wage settlement. For it may be argued that the forces of competition will keep profits down to the only level that can be called just—that determined by the facts underlying distribution. My dissent from this view follows from my disagreement with the theory of distribution which supports it. It is a simple matter of fact that all agencies of wage settlement in the past have had to give consideration to claims for wage revisions which were based upon the fact that profits in a particular industry were much higher or much lower than they could possibly be if the conditions of static equilibrium in distribution were fulfilled. Exactly the same sort of claims will arise in the future unless the principles adopted go beyond a passive trust in the power of competition to keep profits at a proper level.

NEED FOR ADAPTABILITY TO CHANGING INDUSTRIAL FORCES

Finally, there remains the fact that any principles that are adopted as a basis of wage settlement would have to be of such a kind that they could be modified to take account of changing industrial forces. They would have to be such, for example, as would be compatible with the possible extension of profit-sharing arrangements. Or, to take a further example, they would have to be compatible with a possible future growth of joint industrial councils in industry. They would have to be of such a character that they could be used in connection with a variety of relationships in industry between employers and employed,

and changes in those relationships.

At the risk of repetition I wish to end this short survey of the subject presented in Dr. Mitchell's paper, with the opinion that any policy of wage settlement will have to reckon with a large number of difficult requirements—which cannot be wholly reconciled with each other. No single principle such as that of "relative rating" will suffice to meet them all. The policy would have to be more complicated. It could remain in use only by virtue of a public belief that its results were more beneficial and just than any alternative. It could expect support above all from the growing belief that a continuation of industrial strife on an ever-growing scale is insupportable.

The Effort of the Worker to Improve His Own Condition is Indispensable

By HORACE B. DRURY

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IN the leading article of which this paper is a discussion, Dr. Mitchell calls into question the practicability of attempting by wage award, union pressure, or other means to bring the wages of workers in the various industries up to some "standard of living" which may have been set up as desirable. Unless the amount of goods produced is increased, he reasons, higher labor cost in any one industry or in any group of industries simply means higher money prices, a higher cost of living, and in the end other workers, if not the workers in the particular trade affected, will lose as much as is gained. If all wages go up, the cost of living will be proportionately increased and no workers will benefit. If the wages of only part of the workers are increased, then those workers may

benefit, but all that they gain will have been at the expense of other workers.

This main proposition which Dr. Mitchell has so squarely put before us goes to the very root of the whole question of wage fixing. The question as to whether wage advances are simply a matter of robbing Peter to pay Paul, or a means of really raising the general standard of living is fundamental. It is the view of the present writer that the article under discussion has shown the existence of limits of the most genuine character to what labor can hope to secure by the road of wage increases; limits that are, in fact, so important that the main hope of those who would aid labor must be turned to measures very different from simply holding up wage-rates. But though this is the central truth which ought

to be impressed upon every friend of labor, yet the present writer feels that its statement should be accompanied by certain qualifications. He proposes, therefore, to draw attention to a number of important circumstances under which, in spite of its general tendency to futility, the effort to increase wages may serve an important function and may indeed be of positive benefit to the general body of labor.

ADVANTAGES TO BE DERIVED FROM PRESSURE FOR HIGHER WAGES

The first point that needs qualification, in connection with the general contention that wage increases are always at the expense of the workers, is the assumption that when wages are advanced and prices also go up, the increase in prices is caused by the increase in wages. In the limited field of a single industry or small group of industries, in a period when prices tend to be stationary, that might indeed be the order of cause and effect. But in the case of all the more general increases in money prices—such as occurred during the War, or after the discovery of gold in California, or during the years between 1897 and 1914—the rise in prices was due, not to increased wages, but to factors connected with the supply of money, the demand for goods and the methods of government and private finance. In each of these periods, the increase in prices was bound to go on whether wages went up or not. So that if the wage earner had not pressed for higher pay, he would in general have had to meet the high cost of living without his own wages having gone up as it should.

It is true that the very increase in money prices tends in time to bring the wage level up; so that without conscious effort on anyone's part the forces of competition, explained by Dr.

Mitchell, would tend to raise the money income of workers to meet the higher level of prices. But this increase in wages ordinarily lags behind the increase in the selling price of the goods which labor is making. By prompt pressure labor, in industries where selling prices are rising, can obtain wage increases sooner than they would otherwise come, and without necessarily increasing selling prices more than they would be increased were such wage advances not pressed.

The year 1920 furnishes an illustration of how wages throughout an entire country may for a considerable period be lower than economic conditions would seem to warrant. During a large portion of 1920 industry was apparently demanding more men than were available. Whenever industry is thus running full with a marked shortage of labor, it may be assumed that the wage-rate is for the time being below the real value which employers place on getting work done. Theoretically, it would have been to the advantage of almost every employer as an individual to have raised wages and attracted more labor. But employers fall short in doing this, partly because they do not get around to it, partly because they are afraid of bringing confusion into the labor situation, partly because even at the higher wages it would be hard to get labor, and partly, also, because of a sense of solidarity among themselves. So for many months the general level of wages may remain below the rate which perfect competition would bring about; and at such times a strong effort of employes to better their condition should be able to cause a general increase in both money and real wages, which would, at least in part, come out of profits and not out of living costs.

On the other hand, it is equally possible that falling prices may leave wages

too high for the best interest of employes—including among employes both those at work and those thrown out of work. Strange as it may seem, it is entirely possible that it would have been to the interest of labor in America early in 1921 to have come forward and compelled a general reduction in wages through all the industries, provided, of course, that the reduction did not go too far or too fast; that labor could have been assured that the employers themselves would not, by a failure to readjust selling prices, have thrown obstacles in the way of a business revival; and provided, also, that retail dealers would not refuse to pass on to the consumer the reduction in the level of wholesale prices. Indeed, it might have been a profitable course for labor to have followed even if all these provisos had not been perfectly carried out. We are not commenting here on the practicability of carrying through such a program, but simply wish to point out that falling prices may leave wages above a serviceable level, just as rising prices may leave them too low.

KEEPING WAGES IN LINE WITH RISING PRICES

In discussing labor's policy towards both raising and lowering wages and prices, it must be remembered, therefore, that the general level of prices is for the most part determined outside of the field of labor. It is perhaps going a little too far to say, as was intimated in the main article, that labor is not concerned at all as to whether the general level of prices is high or low. For the absolute level of the purchasing power of money is of real significance when it comes to buying goods from abroad; it is also important that the absolute level of money incomes be what it should be in view of the quantity of money and the cost of producing gold; it makes a great deal of difference

to the workers as to whether the value of money is stable or trends upwards or downwards. Labor, accordingly, like everyone else, does have a real, though it may be an unappreciated, stake in the question of a high or low level of prices. But whatever may be the wishes of labor in the matter, the fact is that the general price level moves for the most part in an orbit of its own, pulled about somewhat by the demands or lack of demands of labor, but, on the whole, finding its successive levels in response to deeper forces. If labor should refrain from advancing the wage-rate when conditions invite, the probability is that its self-denial would redound mainly to the benefit of employers, or speculators, or traders. If labor does succeed in getting an increase in its money wages, it is probably more from these classes that the profits are taken than from any group of consumers.

This is the situation in the rough. In actual practice, of course, things are much confused during a period of either rising or falling prices, and in many specific instances the demands of labor would doubtless hasten the raising of prices. But in all cases the tendency to a rise in prices would already have been there; in many cases the rise would already have taken place; and in practically all cases it would come eventually, even if labor tried to hold its own wages down. Usually the increase in wages which labor could gain in this manner, without tending to start a fresh rise in prices, would be very much limited. But during the war period and the two years following, the difference in the prosperity of labor, depending on close, as contrasted with loose, attention to the matter of keeping wages in line with rising prices, was bound to be enormous. Indeed, it was in no small measure because of the failure of labor and, indeed, the

inability of labor to meet this situation in any carefully planned way that there arose, on the one hand, so large a volume of war fortunes, while, on the other hand, there was a considerable impoverishment of certain groups of workers.

The chief other respect in which it is necessary to qualify Dr. Mitchell's contention that an increase in money wages necessarily comes back in higher living costs, has to do with the possibility of workers' in this plant or that or in this industry or that winning for themselves a part of what may be termed differential profits.

THE POSSIBILITY OF DRAWING ON DIFFERENTIAL PROFITS

One of the outstanding characteristics of modern industry is the fact that there is a wide difference between the efficiency, the business luck, or, perhaps, the special privilege enjoyed by different firms in the same industry, or perhaps for a period of years by a whole industry in comparison with other industries. These differences of merit or fortune constitute the real reason why some companies make a large amount of money while others are no more than able to pay their bills. Differential profits are a chief explanation of the wealth of the millionaire, and an important source of all those inequalities of income which separate those who live well from those in moderate circumstances. The wealthy, of course, are so few compared with those who are not wealthy that a division among all the people of all the property of the country would not bring the universal enrichment that some picture. Nevertheless, the differential profits of business are large enough so that if labor participated in them, it would mean for many of the workmen affected a substantial increase in individual income—not one hundred per cent on

the whole or anything like that, but yet enough to make a good deal of difference in a man's outlook. Indeed, differential profits constitute almost the only fund out of which it would be possible permanently and materially to increase labor's share in goods.

Now the whole argument in the leading article regarding the impossibility of increasing real wages unless the amount of goods is increased, rests on the assumption of a uniform wage-rate for all plants. Our author holds, in accordance with the theory that has been accepted in economics since the days of the founders of the science, that the rate which will be paid all labor is determined by what the less efficient and less successful plants are able to pay—those plants which are barely able to make ends meet and yet whose product seems to be needed to fill the demand for goods. If wages are raised above the productivity of labor in these less efficient plants, then, it is held, these marginal firms will be forced out of business, the supply of goods will be lessened and prices will rise. Or, more likely, the higher level of wages together with the shrinkage in the industry will bring a surplus of labor which will of itself bring wages down again. In any case, the wage-rate for an entire industry and for all industries is set at what those plants which just manage to survive are able to pay, the more successful plants needing to pay no more. The whole of the differential earnings, all the superior yield of the plants which do well over those which do poorly, goes to the owners of the successful plants, or to others who control property rights. There is no way by which labor may increase its share.

Under conditions of perfect competition, the writer can see no weakness in this line of reasoning. But when we speak of trade unions and of boards

of arbitration we are speaking of forces which are more or less departures from competition of the traditional type. The traditional economic theory also assumes that complete control, in legal theory and in actual practice, is in the hands of the owners of an industry, and that any unusual profits go entirely to the owners and not to the men who put their lives into the industry, excepting that labor of the higher sort which is connected with management and perhaps ownership. But it is obvious that if we could conceive of an industrial practice in which it was recognized that profit accrued to labor in the form of higher wage income as well as to capital in the form of higher dividend income, or if it were possible for labor to invent forms of organization which were strong enough to take a larger return from the more successful plants or the more fortunate industries, or if it were possible to think of society as developing a type of arbitration board which might take these matters into consideration in its awards—then, under any of these three conditions, there is open a possibility of labor's, in many concrete instances, increasing its wages in such a way as would reduce differential profits but would have no influence on selling prices.

CHEAPER GOODS MORE EFFECTIVE THAN SHARING OF DIFFERENTIALS

The present writer is inclined to believe that, on the whole, the solution of the problem of a fair division of the proceeds of industry should not come by the method of simply transferring to the workers in the more profitable plants or industries the gains that now go to property owners. He believes it would be much more logical and more just all around to work for the leveling of profits and their distribution in the form of cheaper goods. Cut out all

forms of favoritism for those who now have more than their share of fortune; increase the efficiency of that preponderate section of production that is now carried on below a reasonable standard of efficiency, and these measures will in themselves tend to prevent the accumulation in the first place of income that does not arise from labor or come as a reasonable return upon investment. But this is a task which will take many years and never be perfectly accomplished. In the meantime the unevenness in the returns to different enterprises remains. Many people receive income out of proportion to investment, or to the quality of enterprise shown, or to service rendered. Is there any reason why it should be laid down as a law that labor in these industries or plants should be held to the common level for the country? It is more in line with the spirit of the times to give labor at least a measure of interest in the industry.

MONOPOLY IN DISGUISE

In the special case of some of the large scale industries where there is an approach to monopoly, the writer sometimes wonders as to whether it is in reality a true portrayal of things, to think of selling prices and labor costs as finding their equation and determining one another in the less efficient plants; or whether it would not be truer to consider that the large companies who alone operate by efficient modern methods determine more or less arbitrarily what selling prices and wages shall be and limit their production to an amount consistent with the selling price established; and then, because there is so substantial a margin between cost and selling price, other companies with antiquated organizations or methods spring up and operate at the margin. If we may distinguish the "real industry" from

the "pseudo-industry," the real industry has no marginal plants at all but in all of the plants there is a surplus of selling price over cost.

The entire production of the country could be and should be supplied by plants working on the high level of efficiency. But because there is no real competition, because the best raw materials, or the only modern methods, or the cream of the country's technical skill is massed together under the control of one well-knit group, so as to give in effect a monopoly, it is possible strictly to limit that production which is on a modern scale; the pseudo-industry is allowed to spring up because it preserves the appearance of competition and because it is consistent with the perpetual collection of large profits by those who have the real control, on as large a part of the business as they dare carry on. The establishment of this marginal production is, considering everything, a highly artificial device; it does not remove the fact that the industry — that is, the true industry — is a monopoly, and that there is no sound reason why wages should not be much higher, or else the selling price of the product much reduced.

The writer does not know that he is perfectly describing the conditions in any industry. But in view of the dominant position occupied in so many national or local industries by a well-knit group of low-cost companies, who perhaps have all the best supply of raw materials, or the best methods, or the best organization, it is possible that we have in this country much monopoly in disguise, as we certainly have high differential profits. If this should be so, then an insistence that wages should be what the capable modern companies could pay, and a repudiation of the principle that no one should pay more than could be afforded by those soundly operated plants with which

a sane national industrial policy would dispense, might give to labor a very substantial volume of income that does not now pass into its hands. As already indicated, the writer believes that the best plan is to work for the leveling or regulation of monopoly gains rather than their distribution in wages. And doubtless the forces of law and inroads of competition are ever working in that direction. But in the meantime the problem just described is a real one and might be assailed by measures which would give temporary relief as well as those which would mean permanent solution.

SURGE OF WORKERS AGAINST WAGE-RATE THE FOUNDATION OF THE PRESENT SYSTEM

Turning from these special cases to the more general situation, perhaps the most insistent reason why workers cannot under our present system abandon concern over the level of their pay is because society relies on the continual surge of groups of workers against the wage-rate—and the counter resistance of those who oppose wage increases—to fix in all its details the wage-rate which shall actually prevail. Dr. Mitchell emphasizes the importance of establishing a right relation between pay in different industries and especially for different types of workers. Those relations ought in time to be worked out on a basis of justice. But at the present time the very foundation of our whole system of distribution rests, not on any reasoned correlation between merit and desert, or between need and satisfaction, but, so far as rates have a degree of moral or scientific sanction, primarily on an idea of what is right, based on rates as they have actually been worked out during a long period of economic struggle. We may say that a manager is worth ten times as much as a machinist and

not five times; that a policeman is worth twice as much as a school teacher and not half as much. But if we think either of these are the proper relations it is only because that, roughly, is the way it has worked out. If forces had worked out a little differently, managers might receive a hundred times as much or only twenty-five per cent more than machinists, and policemen might be the very lowest in the economic scale or paid like prize fighters; and we should have adjusted ourselves to the idea of any of these ratings as appropriate. Until the world adopts some very different basis for the determination, not only of wages but of other forms of money income, the real reason why some men are to be rated high, and, especially, the real key to discovering the proper degree of differential, must be sought for, not simply by studying psychology, or physiology, or the details of men's work, but by noting what peoples' labor can actually command in the competitive market.

But the healthy functioning of the competitive market depends on strenuous efforts being made on both sides, the one to raise incomes and the other to depress expenditures. Suppose it were true that the raising of wages beyond a certain point defeats its own purpose. How is the worker or employer to know where that point is, until after it has been reached? Even in the case of so comparatively simple and fundamental a matter as the general level of prices, economic science cannot predict the course of prices with even approximate certainty, much less can statisticians, or employers, or workmen tell what will be the price for particular commodities, or what industry can afford to pay this or that type of worker. Even though it were known that the gain of one worker would come out of the pocket of another, a perennial concern on the

part of each worker or class of workers over the size of his income would serve much the same useful function in stabilizing and adjusting prices that the labors which accountants undergo in balancing books to the cent have in keeping the wheels of business from getting fouled.

But the truth of the matter is that in a great host of concrete cases, both those large cases where wage-rates are adjusted to new price levels, and, more particularly, in the innumerable small cases where the workmen in single plants or individual workers are re-rated, the increment which the worker adds to his wage, or the loss that he takes, goes back no farther than to his immediate employer. It is only in the long run and remotely that workers take from one another. While a general program of wage advancement affecting all workers would oftener than not benefit no one, the constant guerilla warfare, if we may call it such, the persistent worrying up of wage-rates for this individual or that one or this group of workers or that, the process of bringing individual remuneration all along the vast, intricate line up to the level that in the particular case is possible—such detailed pressure should give workers as a whole a substantially larger volume of real income than would the opposite policy, under which each worker implicitly relied on the general principle that his wage made no special difference because it would all come back in lower living costs.

In passing it should be observed that even if wage increases caused a proportionate increase in the cost of living, yet the wage earners of whom we are speaking here, the people whose wages it is proposed to increase or not increase by union action or arbitration boards—these really constitute, not only merely a portion of the total population, but

indeed, only a portion of the actual workers. Theoretically, farmhands (and farmers too), clerks, professional men, and unskilled workers of every degree are all labor. But many of these people do not consciously identify themselves with the working class. As the years go by and the capitalistic system spreads over more and more of the field, all classes of workers come closer to being one group. But such an amalgamation of classes is far from being complete. So it is conceivable that glass blowers and tool makers and the whole range of labor—in the ordinary, practical usage of that term—might win wage advances, and the cost be borne in part by the farmer and draftsman and the countless other workers who are as yet only imperfectly linked in that fellowship of labor whose group interests we are here weighing. Doubtless many leaders of labor would hesitate to approve of a method of advancement which manifestly depended on taking from these unassociated groups; but complete candor compels us to recognize that the wage earner—he who belongs to Labor spelled with a capital letter—is not yet so dominant a factor in society but that his status might be considerably improved by what could be transferred from other groups.

THE SCIENTIFIC ESTABLISHMENT OF WAGE-RATES

The circumstances which have been mentioned, taken singly or all together, do not alter the fact that the raising of money wages falls far short of being the fundamental solution of the labor problem. They do help to explain why it is often necessary and beneficial to the interests of labor that labor make positive effort to increase its wages. Competition does not work so perfectly, nor is the power of organized action unavailing but that in many con-

crete cases activity by labor or by arbitration boards might succeed in raising wages, without its causing a corresponding increase in the cost of living. It has, moreover, been pointed out that in the mixed-up world in which we still live, it is not easy to say how wages could be determined with any degree of precision without making use of the underlying desire and effort of each class of workers to better its own prospects. Nevertheless, when all is said, it is believed that Dr. Mitchell is right in urging against any more than the most necessary attention's being given to the money level of wages. It is believed that as the years go by, attention should be concentrated more and more on the establishment of correctly adjusted as opposed to merely high wages.

PRACTICABILITY OF AN OBJECTIVE STANDARD OF LIVING

Our chief ground for difference with the author of the leading article of this volume is on the matter of the way in which these correct wage-rates, in particular the general level of wage-rates, should be ascertained. Dr. Mitchell grounds his whole plan upon a rejection of the standard of living idea. He regards the standard of living as something that varies with each individual according to the size of his family, his ideals with regard to living, etc. It must be admitted that there is a subjective standard of living which is necessarily of a variable quality. But there is also an objective standard of living, which might more accurately be called a standard of purchasing power, which is something tangible and which could be fixed very definitely for every man and woman. Our author's idea of this objective standard of living, or of purchasing power, would evidently be that it, too, is something that is of no value; for

what is the use of setting up a standard of living when industry can in any case produce only so much goods? But that all depends on the kind of standard of living one has in mind, whether it be an ideal standard that persons would like to attain, or a standard which study shows is a practical standard for actual application. Perhaps not every one will agree with this definition; but the writer's view is that the standard of living which is useful in wage determination is not some artificial standard that people say ought to exist, but rather one which should be regarded as the resultant, the product of the existent stage of industrial development.

There is no definite minimum wage that men and women must have to live; there is no objective minimum that they ought to have in order to live a full and rich life. The standard of living is a variable. But it is possible in any country at any degree of industrial efficiency to say that such and such a standard is attainable; that industries that do not support it are subnormal and parasitic. And, if care be used in setting up the standard, it should be possible to establish a standard above that which prevails in many lines of work but not out of possibility of attainment by every necessary industry. The correct standard of living upon which the general level of wages should be based is the highest possible minimum that the industry of the country as a whole can afford to pay and still run sufficiently fully and successfully.

WAGE REVISION TO MEET CHANGES IN LIVING COSTS

This conception of a standard of living, and more particularly of the cost of living, is of special practical importance when it comes to making allowance for changes in the cost of living due to changes in the value of

money. Dr. Mitchell is perhaps right in pointing out that in war-time people must consume less; so that it is unreasonable to expect the buying power of people generally to keep pace with rising prices. Wages could be allowed to keep pace with increases in the cost of living if people could be trusted to curtail their expenses drastically and invest in government bonds; and possibly in the case of the industries which must be expanded, or in the case of groups of labor which have been underpaid, it may be advisable or just to increase incomes faster than the rise in the cost of living. But, generally, the coming of a serious war—which calls not only for suspension of peacetime capital construction, but for a diversion of labor from making consumption goods to manufacturing munitions—could probably most easily be handled by planning for a decline in the real incomes of labor and people in general.

But when the author speaks, apparently with disapproval, of the manner in which during the post-war period arbitrators granted wage increases on the basis of advances in living costs, it would seem that he is running counter to his own fundamental principle. An advance in wages that merely takes care of the increase in the cost of living due to a decline in the purchasing power of money, is not a disturbing of the existing level of wages but a means of preventing the existing level from being disturbed. Those persons, therefore, who hold that economic forces make inadvisable and futile any change in the level of wages except such as would serve to bring particular wages in proper line with other wages—those persons should hold that it would save a great deal of needless strife and confusion if wages could be adjusted almost automatically to changes in the value of money, so that the only special

attention that would need to be given to wages would be to pick out those occupations where for some special reason the advance in wages should be greater than the advance in the cost of living, or, on the other hand, those industries where it should be less. In the absence of such a disturbing factor as war, the peaceful and scientific adjustment of wages would be much furthered by agreeing that there was a *prima-facie* case for an advance equal to the advance in the cost of living.

The revision of wages to meet changes in the cost of living is, however, only a first approximation to determining what wages really should be, because such revision leaves untouched the question as to whether wages were at the right level before the change in the cost of living, and it also takes no account of the question as to whether new circumstances, contemporary with and perhaps related to the change in the cost of living, have not introduced reasons for a change either in the general level of wages or in the relative remuneration of different groups.

STANDARD OF LIVING PRINCIPLE ESSENTIAL IN FIXING OF PERMANENT WAGE-RATES

In dealing with the problem of the permanent level of wages, the writer would again hold that the best method of approach is from the point of view of the standard of living. In localities where living costs are higher than at other points it is obvious that the setting up of a common standard of living will be especially useful in arriving at proper ratios. But under all circumstances the idea of a national standard of living should give the best possible basis for taking in all the country and all industries at one view and getting a real equivalence and justice of wage-rates.

This national standard of living should, as already explained, be fixed upon with a view to what is actually attainable in the industries generally. The procedure in determining it would, of course, depend on the methods by which wages in general were determined. If wages were fixed generally by arbitration boards or industrial councils, or even by trade agreements, the standard of living could be determined with greater and greater accuracy, as the years go by, on the basis of actual examination of the productivity of industry and analysis of what it is possible for the country to pay labor generally. If, as is the common practice now, wages were determined not by any very general program, but by forces working independently in the several industries or several localities, the idea that there was a standard of living which should be met would nevertheless be of help in bringing wages to a standard and true level. At any one moment there is always a tendency toward some general standard of wages, which would be the more nearly one definite rate if the employers and men in each industry had before them the conscious aim of hitting upon such a general standard and would accordingly go to some pains to ascertain what was paid elsewhere. But there would be at all times more or less pressure towards a higher level; and as one industry or another found itself prosperous enough to set up a standard of its own a little in advance of the usual rate, that would tend to be done. If conditions in other industries warranted it there would be a tendency for them to follow, until industry as a whole would be on the higher level. Perhaps some plants at the margin would have to suspend operations or modify their methods. But if during this effort to attain a somewhat higher standard it developed

that the new rate was beyond the reach of industry generally it would fail of general adoption and the ideal of standardization would tend to hold the whole fabric of rates down to the rates which it was found had to be fixed if certain of the important industries were to operate.

Wages have been set somewhat in this manner in the past, but with a great deal of unevenness because of lack of contact and information between different sections and industries. More conscious attention to and support of the idea of wages fitting a national standard of living, would cause the general level to be more uniform. However, the extension of the services of a high type of arbitration board or industrial councils with jurisdiction over large areas and over great numbers of men would tend to bring the standard of living to a greater uniformity and to a quicker accommodation to new levels made possible by industrial progress. It might of course be decided that the standard of living should be a minimum, and that, where it was possible, industries should pay more.

Dr. Mitchell has really avoided this whole subject of the fixing of the general standard, or, perhaps we should say, left it to the gradual working out of economic forces. He would have a system of rate-setting which was inherently much more stable, which obtained its results much more smoothly and with more of justice if he would plan for some method of standardization of the general level. We have not much more than touched here on the actual method of setting up a general standard of living; but surely the idea of such a standard would be almost essential to any studied effort to work out a general level, either through the industries themselves or through some kind of boards.

THE FIXING OF DIFFERENTIALS

But the idea of fitting wages to some understood standard of living is no less useful when it comes to fixing not the general rate but the differentials for different groups of workers. Dr. Mitchell speaks of a great variety of scales of remuneration based on the intelligence, the training, the education, the strength, the degree of attention required, the accuracy, the responsibility, the comfort, the healthfulness of environment, the perils and the steadiness of employment of the different workers. Doubtless all these factors should have some influence on the wage-rate. But the writer is inclined to believe that taking everything into consideration the variety of wage-rates could be reduced immensely; and that the great body of the workers could be rated at either a single standard—modified, of course, through a scale of seniority or proficiency—or on a few scales bearing very simple relations to the main standard.

The industrial world is full of wage differentials between workers; but many of them are of the most illogical character. These differentials are based on historical accidents, on the relative skill of different groups of men in gaining increases and on unessential peculiarities of place and practice. During the War, some of the great wage boards established uniform rates for men from the Atlantic to the Pacific and from the Great Lakes to the Gulf of Mexico (barring colored labor in certain parts of the South) and set up identical rates in all this area for skilled men in a great variety of trades. These awards wiped out a host of old differentials. Sometimes they fitted imperfectly and caused embarrassment. But on the whole they worked. Since the War, the reversion to the old principle of special wage fixing in each place

has brought about a certain measure of diversity. But as long as the war-time idea of national standards was adhered to there was nothing inherently impractical about the system. National standards may be too high or too low or wrongly drawn up, but it has been demonstrated that if we want them they can be made to work.

There are good human and industrial reasons for believing that under a truly fair and logical system of remuneration devoid of accidents, the pay, the worth, of most persons would be not far from uniform. When it comes to creative work, when it comes to very special peculiarities, persons differ enormously; so that one man might well be worth a thousand others. How many workmen would it take to fill the place of Newton, or Lincoln, or, perhaps, of some of the real makers of modern industry? But in proportion as industry becomes standardized on the basis of the best practice, in proportion as there is education, transference of skill, and the spread over great areas of each new thing that someone discovers, the great majority of people are put at work carrying out measures thought out by others. Real ingenuity becomes more valuable than ever; but nine-tenths and more of the actual work of the world becomes routine. Now at routine work people are potentially not so far from equal. There may be many occupations that not everyone could fill; but as long as there are many more people who could fill these occupations—and would be glad to do so—than there are such positions to be filled, such distinctive callings have no special value under our system and draw no more remuneration than the other work of the world.

Not everyone may be able to read, or engage in this or that work requiring special knowledge. But when more people can read than there is need for

clerks, when more people are educated than there is need for school teachers, when more people are versed in languages than there is need for translators, these occupations tend to lose their special economic importance. Education and the greater adaptability of labor tend to wipe out old aristocracies of learning and trade. The unit of industrial labor power tends to be fixed at the value of one pair of hands, or one pair of eyes, or one center of mental attention. Most persons are about as rich as all others in their possession of one or more of these ultimate factors of production. So, in spite of great differences of character and physique, we find the earnings of women approaching those of men, of the illiterate approaching those of the college bred, of clerks and skilled journeymen, of brain-workers and common laborers tending to one level. The very exceptional man, or the man whose income is dependent on what he has himself built up outside of the field of the great industries, may conform to no standard at all. But it will become increasingly possible for wage earners throughout our country, and indeed in not so long a time throughout the world, to be rated on the basis of one standard of living.

RATE-SETTING BUREAUS, UNIONS AND WAGE BOARDS

With the increasing tendency towards nation-wide industrial enterprises, with the increasing frequency with which workers move about, with the increasing standardization of the conditions of culture everywhere, this task of working out sound wage standards based on a broad view of the standard of living will become increasingly essential.

So the writer feels that it would be a mistake to reject the standard of living basis for determining wages,

especially when it comes to future developments; just as it would not be fair for society to ask the workers, under present conditions, to refrain from striving for increases in their own money wages. We are very far, however, from finding fault with the efforts of companies and managers to do what can be done to line up in their proper relations the pay of the different groups of workers in their own employ. Probably the best plan that is now generally possible would be to take the general rate paid in the line of work, or make an advance on it if it is desired, and then work out by some such method as Dr. Mitchell has suggested a system of differentials for the higher or the more trying sort of tasks. The effort should be made to minimize, rather than magnify, the difference in rates between different varieties of work. But pains should be taken to give liberal pecuniary encouragement to the development of those higher qualities of ingenuity and trustworthiness which often take years properly to develop and are of inestimable value. Also, care should be taken to reward different people on the same job in proportion to service rendered.

What we have especially wished to bring out, however, is the fact that the best and the most scientific rate-setting, if confined to a plant, will be short of a complete solution of the problem. No amount of psychology or study of conditions within the shop can take the place of the adjustment, through instrumentalities wider than the shop, of those great forces and principles whose sphere of action may be as broad as all industry. As long as industry falls as far short as it does at present of being just, there must be some means by which rate-setting is influenced by the great movements of groups of workmen to safeguard or improve their condition. As industry

gets better control of itself and its plans become more comprehensive, there must be developed some means by which the agents for many plants and industries, and for countless numbers of employes, may get together and work out generally applicable and fair standards of compensation. Scientific rate-setting in the plant is a good tangible place to begin. But there will remain a place for the labor union and the collective bargain through all of today; and tomorrow, a very large function should be served by the board of arbitration or the council of industry. All are needed if rate-setting is to be broad as well as minute.

THE FRUITFUL WAY TO IMPROVE CONDITIONS

There is one by-product of Dr. Mitchell's discussion which is perhaps of greater importance than the main problem which we have been trying to solve. He says that money advances in wage-rates do not on the whole benefit labor. While we have tried to modify that in certain particulars, on the whole it should be agreed that money advances do not in themselves advance the workers very far along the road to economic betterment. Dr. Mitchell says that, not a general money advance, but the establishment of a right relationship between the pay of different groups of workers is the important matter. That relationship should, indeed, be worked out. But the subject should not be dismissed without its being pointed out, as Dr. Mitchell would be the first to agree, that the real solution of the problem of the betterment of the worker is through greater production.

But, for the individual worker or the individual plant or even the individual industry, greater production does not necessarily mean a gain to the men in that plant or industry. It may if the

management agrees to make it so. The last thought which the writer wishes to bring out is that while greater production makes possible the greater welfare of the worker, and while in the long run, if the greater production is wide enough, it is bound to improve his condition, the one way for the worker to assure himself of increasing his real wages—either now, or in the event of greater production in the future—is for him to develop a program, not so much of raising wages, as of reducing profits (in the economic sense of returns in excess of wage-cost, interest charges, and necessary expenses). The way out lies not so much in planning to make incomes greater as in starting a resolute campaign to make goods cost less.

LOWERING OF SELLING PRICES, THE GOAL

That, perhaps, is the real lesson to be drawn from this whole discussion. The forcing up of the general money wage-rate, even if it were possible, is too sweeping and indiscriminate a measure. It would under most circumstances do little or nothing beyond increasing the cost of living. A much more logical and effective procedure would be to begin at the purchasing end and, wherever there is an obvious gulf between labor cost and the selling price of goods, work for a lowering of selling prices.

From the strictly practical point of view of furthering the workers' interests, this concentration on the question of what goods cost furnishes a better starting point than even the ultimately more important question of efficiency of production. For, so far as the consumer is concerned, it is only those improvements in production which actually cheapen goods on the market that count. The lowering of selling prices is, therefore, the tangible thing to watch, the concrete goal to

work for. With this measure of success in mind, labor and all those who consume (and that means everyone) should start back along the stream of goods, looking for all the places where wealth may have been diverted. All the places where cheap goods have become dear should be examined; all the wastes should be stopped, until finally that point is reached where the stream can be increased in its original flow through greater production. The enrichment of production is, of course, the fundamental thing; but from the standpoint of popular welfare it is no less important to overhaul that whole system of production and exchange through which goods which may be cheap in the making in so many cases become expensive in the buying.

In general, then, the campaign must be aimed at every form of privilege, on the one hand, and inefficiency, on the other. But the possibility of success lies in its being a piece-meal undertaking. Losses must be attacked according to the ways in which they occur. The campaign must be waged on a hundred different fronts, on monopoly and profiteering of every form; on tariffs whose purpose is privilege, and on wrongly or weakly constructed systems of taxation; on unearned increments, on unstable money, on violent changes of all sorts, and devices for keeping out competition; on wars, and the preparation for wars, and the aftermath of wars; on anti-social trade practices and harmful union rules; on ineffective systems of employment; on ignorance, on out-of-date methods; on inadequate education—on the host of forces which make some people undeservedly rich or bury great sections of industry under a load of inefficiency. The solution is complex beyond description; but it is the only way in which society at large can advance.

If by consistent effort along these lines selling prices can be kept reasonably close to necessary labor (and interest) costs, it makes little difference (so far as we are concerned here) what the general level of incomes is. Let us make sure, as Dr. Mitchell urges, that the different rates of remuneration are

in proper relation to one another; and then be content to have the general level of incomes established wherever monetary considerations prescribe. Some attention the money wage must always receive; but it will tend increasingly to become the small end of a very big problem.

The Equilibrium Wage

By T. N. CARVER

Harvard University

I KNOW of only one approximately satisfactory price for any commodity and that is a price which will tempt producers to produce as large a product as buyers are willing to buy at the price, or which will tempt buyers to buy as much as producers are willing to produce at the price. If the price is sufficient to call forth an adequate product, producers must find it relatively satisfactory. If buyers are willing to buy the whole product, they must find the price relatively satisfactory.

Of course no price is ever absolutely satisfactory to anybody. Sellers would always be better satisfied, or more nearly satisfied, if the price were different—generally if it were higher than that which they are getting. Buyers would be more nearly satisfied with a different price—generally a lower price than that which they are paying. We may as well dismiss at once, therefore, the possibility of ever finding an absolutely satisfactory price for anything. Except in cases of siege, famine or abnormal scarcity when supply cannot increase to balance demand, we must be content with a price which producers find satisfactory enough to induce them to keep on producing and which buyers find satisfactory enough to induce them to keep on buying, so that there is a balance maintained

between production and consumption.

With one important exception, I should apply the same test to the determination of a satisfactory price for any economic service, whether it be that of the laborer, the saver or the business man. If the incomes of business men are sufficient to attract into business as many men of high quality as the industrial conditions can support, business men must find their incomes relatively satisfactory; that is, as satisfactory, all things considered, as those of alternative occupations. We are assuming, of course, that violence and fraud are eliminated and that the incomes are secured as the result of service rendered. There is no more reason, however, for insisting upon this assumption in the case of business men than in the case of savers or laborers. One class is no more likely than any other to make use of violence and fraud. As a matter of actual history, at least in recent years, business men have not made larger use of these methods than have laborers.

If interest rates are high enough to induce people to save as much as can be invested in productive industry without loss to the investors, interest rates are relatively satisfactory; that is, savers find them satisfactory enough to induce them to keep on saving. Borrowers and investors find them

satisfactory enough to induce them to keep on borrowing and investing and the balance is maintained.

With the one exception suggested above, wages are satisfactory in any occupation when they are high enough to induce as many laborers to seek that occupation as employers are willing to employ at those wages.

The exception referred to above occurs when there is a gross oversupply of unskilled labor. When that condition exists, very low wages will be sufficient to attract as many unskilled laborers as can be used. If those low wages are not high enough to enable the unskilled laborer to live according to a standard which is considered decent for a civilized country, they are not satisfactory to the country, even though sufficient numbers of unskilled laborers are willing to accept them.

A minimum wage must then be adopted and enforced. It should be based upon the cost of living according to the lowest standard of living that is consistent with a dignified and civilized life. It has no reason for its existence except where this minimum standard of civilized life is threatened. When this minimum standard is threatened, the minimum wage must be enforced without fear or favor, declaring every self-dependent person who cannot earn it to be an object of charity and treating him as such.

MINIMUM WAGE THE ONLY WAGE RELATED TO COST OF LIVING

The only wage, therefore, that needs to be based upon the cost of living, or pay any attention to the cost of living, is the minimum wage below which we do not consider it decent to allow any one to live. There is no reason for inquiring into the cost of living at all in trying to establish incomes for skilled laborers, business or professional men. Here the equilibrium wage

is the wage that most nearly approximates that which is satisfactory. There is, of course, the possibility that some skilled or learned occupation, or individuals following a skilled or learned occupation, might not be able to get the minimum wage as above defined. In such cases the minimum wage should be enforced in the interest of decency and civilization. The effect of this would be to force these unfortunate individuals either into the acceptance of charity or into some other occupation where they could earn a decent living.

To attempt to enforce a wage higher than the equilibrium wage in any occupation where the earnings are above the decent minimum will produce at least one unfortunate result. The wage would then be so high as to attract into that well-paid occupation more than could be employed. Large numbers of laborers would justly feel aggrieved at being unable to get into so attractive an occupation and compelled to find employment in one that was less attractive. If all the well-paid and attractive occupations become similarly overcrowded—in other words, if the wages are so high in all occupations above the unskilled trades as to attract more than can get in or find employment—it means necessarily and arithmetically that the surplus must be crowded downward toward the unskilled occupations.

So far as the present problem is concerned, it is not necessary to go very far into the question as to what determines the equilibrium wage in any occupation. It is rather obvious that the demand for labor in any productive occupation in some way depends upon the productivity of labor. If labor is very scarce and hard to find, so that each individual is badly needed, the productivity of each individual will be high. You can say

of such a trade, "A few more laborers, a great deal more product—a few less laborers, a great deal less product." In technical jargon, the marginal productivity is high. If there are so many crowding into the occupation that you can say, "No more are needed," or "A few more laborers, very little more product,—a few less laborers, very little less product," it is not likely that any employer will offer high wages in such an occupation. The marginal productivity of labor is low.

No wage board, however, would need to waste any time trying to figure out the marginal productivity of labor. The equilibrium of demand and supply would be a better indication than any

figures that any body of experts would be likely to find. All they would need to do would be to see whether the wages were sufficient to attract into the occupation as many workers with adequate skill and training as employers were willing to employ.

I have read most of the things that have been written in recent years to becloud this issue. It would be a tedious and rather profitless task to go over their arguments in detail. I have decided that the most effective refutation is to state the essential principle in as definite and dogmatic form as possible, leaving readers to make up their own minds as to the relative reasonableness of the contending theories.

Factors Determining Real Wages

By ERNEST MINOR PATTERSON

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ECONOMIC theorizing is by no means confined to professional economists. So-called practical men of necessity have their theories on economic questions, or they would not be able to direct the enterprises which they lead, or to formulate policies in connection with them. Both business men and economists have suffered from two weaknesses in their theorizing, and several of the articles before us for discussion in this issue of *The Annals* indicate what these difficulties are.

One is the desire to find an explanation of economic happenings in as broad principles as possible. Physicists, chemists, astronomers and others are constantly seeking for all-inclusive generalizations such as the law of gravitation, the periodic law, the law of inertia. Such generalizations are extremely valuable, and with their aid much more progress can be made than without it. If similar laws could be found in the social sciences, they would

be equally helpful. There is much reason, however, to doubt whether such laws can be formulated, at least with our present knowledge. The field of social science is one in which there are so many forces of such unknown or immeasurable strength that it is probable that very few broad generalizations can as yet be made. Certain it is that not many of the so-called laws in economics have been able to stand the test of current criticism.

One of the reasons for this is to be found in the second of the weaknesses referred to, which is a failure to adapt economic theorizing to changing conditions. Economics must build on certain assumptions taken from other sciences. In the last fifty or seventy-five years these other sciences, notably biology and psychology, have been so revolutionized that the bases on which economists built have been strongly shaken, if not entirely swept

away. More than most of us realize the structure of economic theory has been built on hedonistic and rationalistic assumptions no longer acceptable to biologists and psychologists. The trouble has been intensified by the changing nature of the phenomena with which economics deals. A hundred or more years ago, economic organization was more largely competitive than at present, and *laissez faire* was a more generally accepted doctrine than it is today. With the passage of time monopoly has become much more prevalent than before, and government exercises a far greater degree of influence in the conduct of business affairs.

These difficulties should be kept in mind in an analysis of the problem of wages. We may first of all assume that we are primarily concerned with real wages instead of with money wages. This will lead to the conclusion that fluctuations in the price level, which change the amount of real wages received, should be corrected, and that we need not disapprove any forces that are designed to bring this about. Trade unions, administrative bodies and other influences may be satisfactory aids in securing this result.

ADDITIONS TO WAGES FROM RENT, INTEREST AND PROFITS

As we turn from money wages to real wages, we may observe that these may be increased by additions to the wage scale from either of two sources. One is by deductions from rent, interest and profits without any increase in the aggregate volume of community output. The other is by increasing the product of the community, thus furnishing a larger return to the factors in production, with the expectation that labor will share in the general gain.

While it is doubtless true that many particular enterprises cannot pay

higher wages and continue to survive, it does not follow that the industry of the community as a whole is similarly handicapped. The enterprises referred to are in many instances marginal plants operated, perhaps, on an extremely inefficient basis. Their elimination under pressure would in many cases merely mean that the business formerly secured by them would go to more efficient plants whose productivity per unit of effort is greater. With a larger return they might be able (though perhaps not willing) to pay a higher wage scale. Similarly, a curtailment of profits and a diversion of this fund to wage earners would give them a larger return, and would not seriously affect the aggregate productivity of the community. Frequently profits are sufficiently great to warrant us in concluding that if a workable device were found for transferring a part, at least, of this sum to wage earners in higher wages, there would be no decrease in productivity.

In some cases it is doubtless true that a reduction in the amount of interest paid would in no way affect the aggregate amount of saving. It is quite generally agreed that much saving would be done without any offer of interest, and many contend that by far the larger part of current additions to the capital fund comes from profits rather than from the economies of those who are induced to save by the offer of interest payments. If here, too, some device could be found which would divert some part of these interest payments to wage earners rather than to capitalists, the wage earners would gain.

In reply to this argument it may be contended that even if these amounts could be diverted to wage earners they would save so little that we should not have each year the appropriate additions to the capital fund of the com-

munity. It is contended that wage earners would devote any extra income to establishing higher standards of living, and that the total volume of community saving would be less than we have today. This, however, is by no means self-evident. Much that goes in rent, interest and profits today is certainly not saved, but is spent in the purchase of luxuries. Then, too, it is by no means clear that in the period from, say 1896 to 1914, appropriate amounts were diverted to our capital fund. It is quite possible that during that period the world set aside a larger amount than was advisable for construction purposes, thus lessening the output of consumption goods for the sake of a presumed increase in the output of such goods in the distant future.

Diversions of certain amounts from rent, interest and profits to wages, need not be made in a direct manner, but may be accomplished indirectly. Any form of direct tax on these funds, particularly on rent and profits, might make possible the levying of lower indirect taxes, and thus leave with wage earners a larger fraction of their gross incomes for expenditure on comforts and luxuries. Any shift from direct to indirect taxation is in effect a lowering of real wages, since workers who are compelled to pay higher prices are compelled to resort to a lower standard of living. Wages may also be increased, of course, through profit-sharing plans which give to the workers a larger return.

Such information as we have regarding the national income indicates, however, that the total volume of product is not so large that we can secure any great improvement in the condition of wage earners without some increase in productivity. The estimates of Professor W. C. Mitchell and others, which are the most recent

and the most reliable, show that our total national income was only \$28,800,000,000 in 1909, and \$60,040,000,000 in 1918,¹ while the average annual earnings of employes normally engaged in all industries was only \$626 in 1909 and \$1,078 in 1918.² Such estimates give weight to the contention that not only is the amount received by labor deplorably small, but that the total product is not sufficient for any great increase in the per-capita wage even though complete justice in distribution were assured.

WAYS OF INCREASING PRODUCTIVITY

One of the most fundamental of the proposals for securing larger output is presented by Professor Carver.³ He has merely restated with his characteristic clarity and vigor his adherence to the idea of proportionality. The problem, he argues, is that of securing the proper relative amounts of the natural resources, capital and labor that are employed in production. The best possible arrangement is one in which the amounts of each are so nicely adjusted that the desired output is secured. Natural resources are the least variable in volume, but capital is the result of saving. If owners of capital are receiving a high return, this will encourage saving, add to the supply of capital and thus lower the rate of interest. There will be more product, and a larger amount than before will go to labor. If laborers are so numerous that their per-capita receipts are meager, their numbers should be restricted by limiting immigrants from abroad and from heaven. If some are very highly paid, while others (say the unskilled) get but little, train more

¹ *The Income in the United States*, p. 13. Harcourt, Brace and Company.

² *Ibid.*, p. 102.

³ Cf. "The Equilibrium Wage" by T. N. Carver in this volume.

men for the positions that pay well, leaving fewer for the unskilled tasks, the pay for which will then increase.

In our discussion of other methods of aiding in the problem, there is danger that the truth of Professor Carver's contention will be overlooked. It is as fundamental as any argument could well be, but it is by no means a complete answer to the question raised. Its weakness is that it does not make due allowance for the changes that have come in our knowledge of human beings and in the economic organization of the world.

To a degree Professor Carver recognizes this by assenting to a minimum wage "based upon the cost of living according to the lowest standard of living that is consistent with a dignified and civilized life." Free competition with complete mobility of the factors of production does not exist. Birth control and restraints on immigration do not as yet operate sufficiently well to solve the difficulties; hence, a minimum wage as described, but beyond this the equilibrium of demand and supply.

The solution is a good one, but by no means adequate. The older economics assumed a greater mobility of labor and capital than existed even a hundred years ago, and that grows less as the years pass. Also, it viewed men as productive units which would merely struggle for "higher wages, shorter hours and better working conditions." But organization has grown on both sides, until today the amount of competition as compared with monopoly is far less than before. Among laborers notice, for example, the American Federation of Labor and the great labor unions of Europe. Moreover, these workers refuse to accept theories of specific productivity as settling the matter. They refuse to consider themselves as productive units whose re-

muneration is to be determined by an equilibrium of demand and supply. Sabotage of all sorts is practised by them even as it is practised by their employers, who refuse to operate at a loss or who even destroy products to raise prices.

With the old assumptions and theories workers are dissatisfied, and many employers agree with them. No longer can it be claimed that in spite of its faults capitalism works so well that the world must not experiment with untried methods. Capitalism itself is a changing thing, and is today far different from the organization of twenty-five years ago. In its modified form it is still functioning so haltingly that many thoughtful business men realize that still further changes must come. Only the evening before this article was prepared the writer attended a lecture where he saw a well-known banker and an equally prominent diplomat applaud a speaker who stated that European labor is critical of traditional capitalism and demanding that labor be allowed to aid in the direction of industry.

The wage problem, then, is in part a problem of better distribution, and in part one of larger production. But larger product is dependent on many things. The Committee on Elimination of Waste in Industry of the Federated American Engineering Societies has recently issued a report entitled *Waste in Industry*. To this committee waste is nothing more than a failure to attain standards of accomplishment that have already been demonstrated in practice as feasible. Their assessment of responsibility for existing waste in certain industries studied, places on management percentages ranging from 50 per cent in textile manufacturing to 81 per cent in the metal trades. Labor is held responsible for only 9 per cent in the metal

trades and for 28 per cent in printing, where its responsibility was thought greatest. Other factors than management and labor are held responsible for the other wastes.

This report is only another evidence of our shifting of attention from problems of distribution to problems of production, a change which is due to our realization of the inadequacy of our total product, to the growing sabotage by both capital and labor, and to the recognition of an appalling waste in our industrial processes. Its significance here lies in the fact that it makes clear that management is responsible for more of the retardation and waste of today than is labor. Since wages depend so much on aggregate output, more criticism and advice should be directed to management than to workers. Emphasis should be given to this, for it is being continually overlooked in wage discussions. To repeat: Real wages are definitely affected by the volume of output. The more goods produced, population remaining unchanged, the more the per-capita product, *i.e.*, the higher real wages may become. Sabotage and other forms of waste lower real wages. But the committee of engineers just referred to conclude not only that the waste is serious in certain industries they have examined but that over 50 per cent of the responsibility rests with management and less than 25 per cent with labor. Now, mere increase of product does not necessarily mean higher wages, since much depends on its distribution. Nevertheless, much depends on the effectiveness of management.

WAGE THEORIES USUALLY INADEQUATE

A given wage theory may seem quite logical and yet be of little aid in an emergency. The late President Van Hise once told the writer that he had

searched economic theory in vain for assistance in arbitrating wage disputes; yet we are concerned with the fact that we want results. Our theories are an attempt to generalize on the facts. The generalizations have often been used in an attempt to convince workers of the justice of the existing scheme of distribution. They have not been convinced because, after all, the product is a joint one and a determination of the contribution of each factor, and hence of the appropriate reward for each, is impossible. The theories may or may not be accurate descriptions of fact, but as stated they fail to convince workers of the justice of their reward. As Professor Tawney has pointed out,⁴ it is time to shift our thoughts from *rights* to the more important idea, which is *function*. We must get better results.

What, then, should be our wage theory? The writer is unwilling to accept any one theory unless it be that those policies should be adopted that will secure results—and that is a rather vague generalization. Instead of one theory there should be several.

First of all, the law of proportionality has its place. Professor Carver's statement of it cannot be improved upon, and no matter what the form of social organization, it must not be ignored. But by itself it is far from adequate. Along with it should go a minimum wage as a protection in a society where otherwise many would be crushed.

But that is not all. The "state of the arts" must be improved. Scientific management has done much, and relative rating as proposed by Dr. Mitchell⁵ offers assistance if applied with discretion. Its weaknesses are two-fold: First, it is essentially an

⁴Tawney, R. H.: *The Acquisitive Society*.

⁵"Relative Rating Versus Cost of Living as a Basis of Adjusting Wage-Rates."

adaptation of the piece system, and as such may be grossly abused by unscrupulous employers unless it is closely safeguarded. Second, it assumes the possibility of measuring productivity. It should be repeated that product is a result of the functioning of several factors. It is a joint product, and the contribution of any one factor or of a single unit of that factor is essentially indeterminate, unless by the theory of specific productivity (which fails to convince the interested parties, the workers). The wage paid under Dr. Mitchell's plan is accordingly made up of two parts. If A threads 200 bolts in a given time while B threads only 100, A has clearly done more than B, and the latter may assent to A's receiving more pay. But how much more? There are two elements: the basic amount B produces and the differential between his product and that of A. But both of these are the joint products of labor working with tools and materials. The exact product of neither can be determined. Consequently the idea cannot by itself be accepted as a final or a sole solution of the wage problem.

Another element is the necessity of recognizing that the laborer is not entirely wrong when he "makes work." Maximum productivity is not always to his best interest. At the close of the late war workers were exhorted to increase their productivity, but soon they were informed that products were largely in excess of orders, and that factories must close. What is the difficulty?

It lies in the fact that even just distribution (assuming we could agree about it) and maximum productivity are inadequate explanations. Our world is too intricate and cumbersome for such formulae. Production must be of the appropriate kind, and mere exhortation to increase its amount and

then trust to the "invisible hand" or some similar influence is folly.

Thus production may be of luxuries or non-essentials. This is because the articles that are to be produced are determined by prospective profits, which may lead to greatly increased construction of garages and moving picture theaters when there is a dearth of dwellings, or to the manufacture of an unduly large volume of limousines when other commodities are more needed.

Or production may be of necessities, but not wisely chosen. Shoes may be manufactured in relatively too large numbers as compared with the output of cotton cloth or steel rails. Production should be properly diversified if maximum results are to be secured and higher wages follow.

Then, too, our efforts may be directed too largely to the production of capital goods such as railways and irrigation projects, with a view to a large output of consumption goods in the distant future, but with a restricted output of consumption goods in the immediate present.

These last few paragraphs seem a little remote from the worries of a given employer over the wage scale for his plant, but the connection is a real one. We are discussing wage theories and the problem cannot be properly treated unless we realize its many ramifications from the field of distribution into management, business cycles, over-investment and other related topics.

PARTIAL SOLUTION IN THE EFFECTIVE FUNCTIONING OF INDUSTRY

In conclusion, we should note that no wage theory will long be satisfactory if it bases wages merely on the comparative strength of the parties to the wage agreement. Orthodox theories and much current practice have this defect. Herein lies the strength of the

arguments for a minimum wage, a cost of living standard, relative rating, profit sharing and other like devices. But none of these by itself is adequate nor all of them combined. There must also be a recognition of the fact that labor is one of the contributors to a joint product, but that the part it has produced is indeterminate. Instead of deluding ourselves with the belief that it can be ascertained and labor then be given the amount of the product to which it has a right, we should concern ourselves more over the effective functioning of industry. Labor is coming more and more to appreciate its potential power, and is constantly more critical of the weaknesses of management. Such experiments as industrial councils and other devices which give to workers a larger share in management

are a partial solution of the problem.

Only partial, however. No solution is final or complete even for a brief time. The reasons that the present trouble is so acute is that conditions change so rapidly—more rapidly than do our ideas, our theories. Thus the very success of works councils in bringing together employer and employee in a given industry may lead them to recognize their gain in restricting output and in then raising prices to their mutual advantage. Such a move means higher wages in that industry, at least for a time, but the higher price for that product means a lower real wage for every purchaser of it. If such restrictions in output became general, productivity as a whole would be seriously curtailed. No one theory gives the answer today, and no solution will be final.

The Relation Between Wages and National Productivity

By GEORGE SOULE

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AS the pursuit of economic science passes from qualitative analysis to the assemblage and interpretation of quantitative data, students grow more wary of enunciating its "natural laws." Even the laws of the few exact sciences such as physics and chemistry are now suffering a series of shocks from the acquisition and analysis of new facts; and the followers of the still slender trail of economics through the unexplored jungles of human behavior do well to assume a certain diffidence. The present writer has no intention of discussing here the productivity or any previous theory of wages, except as such inadequate statistical data as we have may throw light on them. Likewise, it is incautious to set down any im-

mutable "principles," new or otherwise, for the use of employers, unions or arbitrators in the determination of wage-rates. We have learned from the modern psychologists that principles, so-called, are often little more than weapons seized or defenses thrown out in the presence of conflicting desires, and that, while they are often of a high temporary utility in the heat of battle, they sometimes become embarrassing with a change of terrain or of relative power.

Whatever may be the underlying laws, the surface phenomena surrounding the determination of basic wage-rates are usually highly controversial, and suggest that there is little to influence the result save the respective power of the two parties immediately

concerned. There are, to be sure, moments when the human animal wearies of conflict, and improvises a machinery which will preserve his muscles for more fruitful exercise. There arise arbitral courts of one kind or another, and these courts, as instruments whose purpose is to avoid battle, look about for some guide to decision upon which the reason can rest. Yet most successful arbitrators are keenly aware that they are not interpreting abstract principles of economic justice, or applying well codified laws to specific circumstances. They are, in the main, engaged in the diplomatic and political task of following a balance of power, and it is only within the limits of the territory wherein all parties concerned will consent to abandon the appeal to battle that they can in the long run successfully apply their reason. This may be regrettable, but it is inevitable in a state of society where economic forces are constantly in flux and moral judgments concerning them are not universally held. A criminal judge is on sure ground when he presides over a trial for murder, because murder is widely held in abhorrence and the law concerning it is clear. But an industrial judge who is trying to decide whether wages shall be reduced 10 per cent or 3 per cent has no such certainty. Without a fairly well defined balance of economic power, no arbitrator has any assurance of the limits within which his judgment may operate.

The progress toward basic principles in wage determination is therefore not a sudden leap to a complete set of scientific laws or a code of industrial justice, but a gradual substitution of the more nearly scientific for the less scientific, of the more nearly just for the less just. The area of possible discrimination grows as the communal interest receives larger emphasis than

the particular interest, and such principles as come into use arise, as a rule, in specific cases as a result of the evidence and the arguments introduced by one side, corrected by the evidence and arguments introduced by the other, and tempered by the arbitrator's estimate of the needs and desires of both and of the rest of the public. The considerations to be advanced here have been introduced in support of the contentions of unions in wage disputes. It is with no belief that they are complete or final that they are now summarized, but only in the hope that they may assist the slow development of science and justice.

ECONOMIC IMPLICATIONS OF THE COST OF LIVING PRINCIPLE

One of the most frequently used principles in recent wage adjustments has been that of the alteration of wages by reference to an index of retail prices or "cost of living." This principle was established during the War when prices were rising, and is the reflex of arguments advanced in behalf of labor. The feeling that the purchasing power of wages should not decrease, especially in a period of prosperity, could be counted upon in most arbitrators and fair-minded employers, and it was almost universally invoked. In making this appeal few union advocates had any intention of admitting the converse, that the purchasing power of wages should not increase, especially when a favorable opportunity for such increase should be presented by a falling retail price level. Certainly not many members of the rank and file understand or see any justice in a reduction of money wages simply because a government or other statistical agency announces a fall in prices.

Wage earners are just as likely as others to spend the whole of their in-

comes from week to week, and the practical result of falling prices is a slow and almost imperceptible rise in the standard of living. The housewife is spending just as much after the drop as before; the appearance of slightly better foods on the table, or the purchase of a few long-needed household utensils or articles of clothing is not noted with statistical accuracy by the family. Employers, however, were quick to seize on the "principle" of the cost of living adjustment in demanding wage reductions during the period of depression. Such reductions were in reality necessitated by the financial condition of business enterprises, or, if not necessary, were made possible by the shift of economic power. But the cost of living argument presented an aspect of mechanical justice to the process. One employer, for example, recently summed up the case against a union as follows: "After everything is said, it all comes down to this—we had to increase wages when the cost of living was going up, and now that the cost of living is going down the men should take their medicine."

The feeling of the wage earners, strong as it is, that such a process is unjust, is not sufficient to convince a neutral. This feeling may, however, be converted into a valid argument if we investigate the economic implications of the cost of living principle. At any given time the wage permits the purchase of certain articles and services in certain amounts. Budget studies determine roughly what these items and quantities are. The cost of living index is weighted according to the importance of the various items in the budget. If the wage is continually raised or lowered only in direct ratio to the changes in the cost of living index, it is assumed that the physical goods and services consumed by the worker's family should remain con-

stant year after year. Such a principle applied to the whole body of wage earners would stabilize the per-capita purchasing power of one of the largest classes of the population. But, at the same time, we assume that the physical productivity of the nation shows an increasing trend on account of the progress of technique and industrial organization, and that this increase takes place at a more rapid rate than the increase in population. Who, then, would absorb the additional goods produced, if there were no expansion in the purchasing power of the wage earner and his family? Either an increasing differential would be set up between the standards of living of economic classes, or else a larger part of the population would be sustained in non-productive occupations.

It might be argued that the increasing productive power of the nation need not be utilized for consumers' goods, and that it may be applied solely to a piling up of capital goods. Such an argument is, however, a palpable absurdity if the process indicated is to continue for very long. How could there be any permanent inducement for the accumulation of capital goods if the new capital were never to be used for the production of goods to be consumed?

WAGE INQUIRIES UNDER PRODUCTION INDICES

These reflections open up at once certain avenues for statistical inquiry. What is the rate of increase in production, and in production per capita of the population? What share of the product have the wage earners consumed in the past? Has that share tended to increase, to decrease, or to remain constant?

A number of indices of physical production have been developed and of these, the two published by Walter

W. Stewart of Amherst College¹ and Edmund E. Day of Harvard University² are the most complete, although the basic data are not yet full enough to enable the calculation of a production index which is wholly satisfactory. These two indices use essentially the same data, with the exception that Stewart's includes transportation, while Day's does not. Their long-term trends are almost precisely the same, though the secular trends due to the business cycle vary more widely. If we derive an index of per-capita production from each of these indices by dividing it by an index of population, we discover that physical production has increased more rapidly than the population since 1899, the starting point of the production indices. The slope of the per-capita production curve is a little under 2 per cent, and the net rise, 1899 to 1920, is about 30 per cent.

To investigate the wage earners' share in the physical product is a more difficult matter. We may begin with the share of value produced which has been received by the wage earners in manufacturing industry, using the figures of the Census of Manufactures for our calculations. The value produced is indicated by what the census terms "value added by manufacture." This is the sum obtained by subtracting the cost of raw materials from the net sales. It therefore includes the total amount available for distribution in rent, interest, profits, salaries and wages, and cancels out any duplication in the census figures due to the fact that one factory may use as materials the product of another

manufacturing establishment. The percentage of this amount paid in wages will indicate the share of manual labor in the value-product, and the extraction of this percentage for a number of census years will give an indication as to how constant labor's share in the value-product remains. This calculation shows that the share of labor, from 1899 to 1914, remained almost as constant, on the average, as if it had been determined with mathematical exactness by a supreme economic authority. The percentage of "value added by manufacture" received by wage earners in all industries runs as follows:

1899	1904	1909	1914
<hr/> 42	<hr/> 42	<hr/> 40	<hr/> 41

Similar percentages for each of the fourteen main industrial groups also show a striking uniformity throughout the period. The percentages, of course, are widely different among the several groups. The only groups, however, which show changes of more than three points in the percentage during the fifteen-year period are leather and its finished products, and vehicles for land transportation, in both of which the share of labor fell seven points. This drop was doubtless due in both cases to extraordinary changes in the characteristics of the industry, involving the addition of immense capital investment and the very rapid introduction of machine processes, which markedly reduced the number of wage earners necessary for a given volume of production.

Application of the same analysis to even smaller industrial groups, such as rolled, forged, and other classified iron and steel products, shows little variation from year to year in the percentage received by wage earners. Most of the variation occurs in the year 1914, when labor charges in some

¹"An Index Number of Production" by Walter W. Stewart, *American Economic Review*, March, 1921.

²"An Index of Physical Production" by Edmund E. Day, Harvard University Committee on Economic Research, 1921.

groups ran up to a higher percentage than usual on account of the industrial depression.

FAILURE OF LABOR TO SHARE INCREASE IN PER-CAPITA PRODUCTION

We are now ready to draw a tentative conclusion. If the per-capita product of industry increased steadily, and if the share of all the wage earners in the product remained nearly constant, the real wages of the individual wage earner ought to have increased in direct ratio to the increase in per-capita production. It may be objected that the index of production is an index of physical goods, whereas the calculations as to the share of the product received by labor are in terms of money, which does not retain a constant relation to physical goods on account of shifting price levels. To this objection we may answer that in obtaining our ratio of wages to product we used money for both terms, and therefore any change in the general price level from time to time is canceled out in the percentage. This answer is valid only on one hypothesis, namely, that throughout the period factory prices maintained a constant ratio to retail prices, or, to put the matter in another way, in basing our estimate of the share of the product received by labor on the ratio of wages to "value added by manufacture," we were basing it on the assumption that the purchasing power of a dollar in the hands of a wage earner changes from time to time in exactly the same way as the purchasing power of a dollar paid to a manufacturer for his goods. This assumption is true only if the curve of retail prices is approximately the same as the curve of factory prices.

Now, studies of the actual course of real wages made by comparing an index of average money wages with the index of the retail prices of food over a period

of years are familiar, and they show uniformly that, if food prices may be taken as a sample of retail prices in general, real wages have materially decreased since 1896. The study of Paul Douglas in the *American Economic Review* of September, 1921, for instance, proves that according to this method of calculation, real wages have decreased over 30 per cent in the past twenty years. This conclusion becomes all the more startling in the light of the above analysis. If real wages had increased during this period in the same percentage as per-capita production increased, they would have risen 30 per cent, instead of falling 30 per cent. In other words, real wages in 1918 were 85 per cent lower than they would have been if the tentative conclusion in the preceding paragraph were correct.

It is objected that such studies as those of Mr. Douglas suffer from the fact that they are based largely on wage-rates rather than on full-time earnings, which would include overtime and would take account of continuity of employment. In order to avoid this criticism, and to relate the estimate of real wages more closely to our previous figures, we have derived the per-capita yearly wage from the census figures by dividing the total wage bill of each year by the average number of wage earners for that year, and have compared the index of money wages thus calculated with the index of retail food prices.³ The result shows that real wages, measured in this way, fell about 10 per cent between 1899 and 1914. The conclusion is therefore inescapable that, unless there is some radical error in the census figures, or unless food prices do not accurately represent other retail prices,

³ While this method is not statistically correct for obtaining the actual money wage of the full-time employee, it ought to be accurate enough to establish a trend.

the margin between factory prices and retail prices has been rapidly increasing. Wages measured in terms of prices at the factory have advanced, while wages measured in terms of prices in the retail stores have gone down rapidly.

MODIFICATION OF WAGES THROUGH A SMOOTHED PRODUCTIVITY INDEX

Thus is developed an interesting bit of evidence tending to prove a hypothesis that has already been reached in other ways. Those engaged in the distributive process have apparently been receiving during the past twenty years an increasing share of the national product. They have been exacting a larger return in goods for every billet of steel and yard of cloth produced. They have not only absorbed their former share of the production of the nation, but more too. While manufacturing industry has been increasing its efficiency, distributive service and the national overhead have thus suffered a loss in efficiency of sufficient magnitude to eat up more than the saving made in manufacture. This encroachment has been chiefly at the expense of the wage earners.

The wage earner may argue justly that he is not responsible for any decrease in distributive efficiency or for any increase in the reward of non-productive elements of society. He can make a strong case for the proposition that he should not at any rate receive a smaller per-capita share of the national product than he has received in the past. If this share is to be maintained, the purchasing power of wages must be increased in direct ratio to the increase in per-capita physical production. This means that wages

must be modified not only by a cost of living index, but also by a smoothed productivity index. If such a course were adopted, the task of resisting the encroachments of distributive inefficiency would be transferred to the other elements engaged in production, who are better able to bear the burden of such a battle. Moreover, the efforts of employers and of those who furnish them with capital would be better engaged in organizing the channels of distribution than in resisting labor unrest caused by a falling standard of living and an unnecessarily high level of retail prices.

This study of the relation of wages to national productivity, elementary and incomplete as it is, suggests further fruitful lines of economic inquiry. A fuller elaboration of production indices for special industrial groups is desirable. Perhaps a different method of making and using price indices would be advisable. The present price indices have been founded largely on the assumption that shifting price levels are to be explained chiefly by the quantity theory of money, and that therefore all prices show about the same trend in the long run. Evidently this is not the case. A general wholesale price index gives us no information, for instance, as to whether the percentage differential between prices at the factory and jobbers' prices is increasing or decreasing. Should not price indices be further elaborated so as to indicate the toll exacted by different stages of the processes of production and distribution? And studies of economic waste might be made even more fruitfully in the area of distribution than in the area of production.

AFTERWORD

THE writer and his critics seem to be discussing the living-cost basis from viewpoints of different breadth. For the most part Professor Feis and Dr. Drury speak, consciously or unconsciously, in terms of wage adjustments in a particular industry, in a particular locality or restricted region, even in a single plant. Dr. Drury, for instance, talks about transferring to the workers some of the "differential profits" of the more favored or better managed plant. He and others also claim the possibility of transferring some of the profits of an entire industry to the workers by means of wage-rate advances. Professor Feis in particular puts forth the proposition to limit profits to some "fair rate" by advancing wage-rates to absorb any excess of profits over such a rate.

Now the writer has already shown that a wage-rate increase that is confined to a single plant or to a few plants in an industry may come at the expense of the profits of the employers affected; indeed that a rate advance that is general to an entire industry may to *some* extent and for a while come out of profits, because the public in its consuming capacity reduces its consumption of the product. Most of the advantage so gained, however, is at the expense of wage earners in other industries; over against the rate advance is the loss from reduced employment; finally, when the process of adjustment within the industry has been completed—the disappearance of some employers, the retardation of the growth of the industry until the needs of the growing population catch up with its capacity at the higher costs and prices—there is no reason to believe that any of the advantage held by those workers who *remain* in the industry is at the expense of their employers' profits.

INADEQUACY OF LIVING-COST BASIS IN UNIVERSAL APPLICATION

The viewpoint from which the writer discussed the living-cost basis was that of *universal application*. So long as the application is restricted to a small part of the whole wage-earning population—to one plant, to one locality, even to one or a few industries—it will be effective in part at least. The narrower the restriction the greater is the effect. However, the success of one group of workers in getting their wage demands granted is the signal for other groups to make similar demands. As the wage adjustment extends through plant after plant, locality after locality, industry after industry, the advantage gained in the earlier adjustments diminishes and fades away. By the time the wage advance has become universal it will have become ineffective; *i.e. unless it has been applied in such manner as generally to have increased the rate of production per man-year*. In the writer's view, any alleged principle that brings its own defeat when carried out to its logical conclusion is not a valid principle.

Mr. Gompers says: "We wage earners know that from time to time we have increased our home comforts by forcing a more equitable distribution of incomes." Certainly they have—*those that obtained the increases*. This would be the case whether the rate advance they forced came in the vanguard of the rate movement, in which case the affected workers fared better for a while, partly at the expense of their employers, mainly at the expense of the remaining mass of workers; or in the rearguard to relieve the deprivation to which those who preceded them in the movement had subjected them. The preceding sentence assumes, merely for

sake of the argument, that before the rate movement commenced, the rates of all workers were justly proportioned one to another; also that the rate advances were rate advances only, *i.e.* were not accompanied by increased productivity. We have elsewhere intimated that some groups of workers may be underpaid as compared with other groups. Furthermore, we recognize that selecting one group of low-paid, under-nourished workers and deliberately over-paying them may have the effect of increasing their productivity. We insist, however, that if and whenever we decide to do this, all parties should know precisely what is being attempted.

RATE INCREASES A MATTER OF PROPORTION

It should be distinctly recognized that the general rate increases the writer is discussing are *proportionate* increases. We are considering wage adjustments in response to changes in living cost. If there should, as a matter of principle, be any such adjustments, the rate advance that should follow a 10 per cent advance in living cost should be a 10 per cent advance, not a flat five-dollar-a-week advance. Professor Feis proposes either the latter or a compromise between the two. The only logical justification of this course is that the lower-paid workers are *underpaid* as compared with the higher-paid workers. But if this is true, surely the proper course of action is to correct the inequitable proportions, irrespective of whether there has been a change in the cost of living. The basis of such a correction must be a *relative valuation of the various kinds of work, i.e. "relative rating."*

The writer has been represented as making certain assumptions: that competition works perfectly; that a uniform wage-rate exists for all plants; that in-

dustrial motives are unchanging; that all price advances are caused by wage-rate increases; that the marginal productivity theory as applied to labor and to industrial establishments is valid as traditionally expounded in texts on economics. The writer has made no such assumptions. His understanding of the laws that govern the division of the product of industry is about seven degrees removed from the marginal productivity theory as traditionally expounded. He knows from actual observation that competition is neither universal nor guided by full information; that there are many plants whose management is so inefficient that they survive only by reimbursing themselves for the wastes of mismanagement out of the wage-rates of their employees. He would feel no compunction about eliminating these by adjusting the wage-rates of their employees to proper relationship to other wage-rates and eventually transferring their business and their employees to their more efficiently managed competitors. However, relative rating, not living cost, is the proper basis on which to do this. Nor can he see Dr. Drury's consistency in wishing, at one point, to *level up rates*, by elevating those of these exploited workers in his "marginal plants," and, at another point, to make them diverge again, by raising rates in the more favored or better managed plants in order to appropriate for the workers a part of the "differential profits."

Nor does the writer assume that all price advances are caused by wage-rate advances. He does assume, however, that general price advances or recessions do not come *without* cause, and that whatever the cause—inflation of the currency, decreased productivity of industry such as occurred during the disorganization prevailing in the war period, population increase outstripping the improvement of the productive

arts and the accumulation of capital—that cause is operating just as effectively *after* an arbitrary wage advance as *before*.

He does not assume that industrial motives do not change. However, he sees no reason to believe that the motives that actuate the profit pursuer, the landowner or the saver are made any weaker or any stronger by a mere wage-rate increase or decrease. If one could grasp the idea that, under our more-or-less-competitive-private-initiative-profit-motivated-individual-freedom form of industrial organization, the proportions in which the product of industry is divided among the various factor-persons are the ever-changing resultant of a very intricate clash of human wills—commodity competing with commodity in the mind of each consumer, producer competing with producer in selling, employer competing with employer for labor, worker competing with worker for employment, consumer competing with consumer in the purchase of commodities, and so on—he should easily comprehend that no mere general proportionate wage-rate advance or recession that employers would not have granted or exacted in any event, is going to have more than a passing influence upon these distributive proportions. Professor Feis and Dr. Drury can improve the well-being of restricted groups of workers for a while by restricting the area of their operations. However, when it comes to general application, Professor Feis' proposition to limit profits to some "fair rate" by means of wage-rate advances *unaccompanied by price control*, reminds the writer of the Scandinavian God Thor's attempt to drain a certain goblet at one draught, only to discover when exhaustion of his capacity compelled him to desist that the bottom of the goblet was secretly connected with the ocean.

DETERMINATION OF NORMAL PROPORTIONS AS GUIDES IN WAGE DISPUTES

Professor Carver contents himself with stating a principle, which is our old friend, the law of supply and demand. We have stated that "the final test of the relative accuracy of any system of wage-rates is their relative power of attracting and holding workers in the proportions in which they are wanted." Disputes do arise, however, and cases do come before wage boards or arbitrators for decision. In such cases the law of supply and demand is not very helpful to the adjudicator. We have assumed that amid all the varying market proportions there is a set of normal proportions among the wage-rates for the various grades of work and that it would be helpful not only to adjudicators but to plant managers, to the general public and to all concerned, if these normal proportions were determined, or at least closely approximated, and used as a guide to decisions.

The only employer who contributed a discussion, which even he afterwards withdrew, while agreeing with the writer's position concerning the living-cost basis, thinks that the suggested procedure for relative rating "out-Taylors Taylor" in the matter of detail of scientific study; that the work involved would be endless, that it would be ineffective, anyway, unless agreed upon and lived up to by employers and employees, a stipulation which he considers to be hopeless, and that, after all, the proposition contains nothing new. However, the union scale and other scales of which he speaks are not based on carefully determined *performance standards*, which are an indispensable element in any relative rating that is worthy of the name. If the proposition were to establish a governmental commission to make com-

prehensive, detailed scientific studies, establish relative valuations of the myriads of operations and rigorously apply them throughout industry, we should agree that such a course is entirely impractical, particularly at the present stage of development.

The writer's purpose is two-fold; viz: (1) to show the fallacy and unsatisfactoriness of the living-cost basis and to substitute another basis and procedure in the minds of all parties to wage disputes, especially in the mind of the arbitrator, however rough the application may have to be at this juncture; (2) to set up a goal toward which future development may consciously progress. The great bulk of the study is not going to be done by any governmental agency, but *within individual plants* in each of the various industries. A few enlightened employers have already been applying the idea for some time with mutual satisfaction to themselves and their employes. They find it an advantageous substitute for the haphazard trial-and-error method of applying the law of demand and supply. Their numbers will increase. When sufficient progress has thus been made within plants in each of the various industries, it will then be feasible to bring the results together in inter-industry relative rating. There is, however, the important need of standardizing the procedure and methods of investigation and rating so that the results *can* be brought together.

Mr. Portenar, who follows a printing trade, says: "If the results of your 'relative rating' and the union scale coincide closely, there will not be any trouble at that moment. If you let us in on the making of it, it will lubricate the process." When we look through this more or less competition-restrained profit-motivated private initiative, which is merely the external *form* of our industrial organization, to the

underlying real purpose of it, which is the maximum economic well-being, not of any one person, class or group, but of *all*, we cannot see that the workers' right to be "let in on the making" can validly be denied.

VALID JUDGMENT BASED ON PRODUCTIVITY AND NORMAL RELATIONSHIP

We recognize that employers who wish to build up their work forces more rapidly than the growth of the population and displacement of workers elsewhere will permit, are going to exceed any scale rates that may be agreed upon. However, it is not likely that we should have anything like the range of variation of rates within the same occupation or grade of work that we now have. We assume that groups of workers will continue to "surge against their wage-rate";¹ we hope, at least, that each individual will persistently surge against his wage-rate and continuously prepare himself to render service of higher and higher value. However, when groups "surge," the general public needs a means of validly judging the merits of the surge. So does the arbitrator of wage disputes. We hold that the effective issue is whether the particular wage-rates demanded substantially restore the normal relationship with the general mass of other wage-rates.

Finally, when all parties come to recognize that, practically, the wage question is a question, first, of the productivity of industry, second, of proportion between the incomes of different groups of workers and not of division between workers and employers, we believe that such recognition will make for greater stability of industry and for better coöperation of employes with employers to increase the productivity of industry and provide more to divide.—T. W. MITCHELL.

¹ Cf. Article by H. B. Drury in this volume.

Unemployment and Its Alleviation

By B. SEEBOHM ROWNTREE

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PERHAPS there is no subject which demands the consideration of serious men and women today so urgently as that of unemployment. It is, indeed, a huge world tragedy. In all industrialized countries there are, at present, probably more unemployed people than there have ever been before at any given time. Human civilization is passing through a crisis, the severity of which is already leading to a complete change of attitude on the part of those who have been inclined to view "the unemployed problem" with indifference, if not to accept it as something which, like bad weather, may be objectionable but is completely beyond our control. Unemployment is not a meteorological problem. It is a human problem, to be solved by human beings, a problem so imperative that one is astounded to find that even working men often regard it with a kind of gloomy fatalism. Let us hope that the suffering and suspense which we see all around us today may shake the most apathetic of us out of our cool acquiescence.

I will begin by stating my profound conviction that unemployment *is* a soluble problem, an evil which can be remedied. There are social evils which, throughout the centuries, have baffled human intelligence. They are due to fundamental and very complicated causes, and the wisest men may differ as to the direction in which the remedy should be sought. But it is not so with unemployment. Our resources of wit and wisdom, of economic and industrial knowledge and experience, are sufficient to cope with this evil, if

we will only use them. I do not say that as yet civilization can completely dispense with unemployment. But we can change its character in two ways. We can so reduce its volume that it represents merely the body of workers who, at any given time, are held in reserve by industry for strategic reasons. And we can rob it, when it exists, of all its power to inflict any serious injury on either the individual or the community.

NO SINGLE PANACEA FOR ILLS OF UNEMPLOYMENT

I should like to indicate some of the roads by which we must travel, if we are to attain this end. Mark, I do not speak of "the road." There is no single panacea for healing all the ills which we call to mind when we speak of unemployment. I agree with Rabelais, who said, "Beware of men who peer out of one hole—they are rabbits!" And I should profoundly distrust anyone who wished to patent some single method of solving the problem before us. We must approach it from many directions, and employ many partial remedies. It is, if you will, a giant evil, and we are Lilliputians; and yet—how soon the Lilliputians had Gulliver bound hand and foot, when once they worked together. If only we grasped, today, the practical import of Swift's old fable, all would be well.

My subject falls under two headings. These are the reduction of the volume of unemployment, and the mitigation of the hardship, suffering and demoralization arising out of whatever unem-

ployment it is impossible to avoid. I will take these in sequence, merely saying at the outset that I am not proposing to deal with the abnormal situation that the War has created, and which still demands the use of many emergency methods.

THE REDUCTION OF THE VOLUME OF UNEMPLOYMENT

First of all, we must try to find out the magnitude of the problem, and here we are faced by the fact that there are no reliable and complete unemployment statistics over a number of years for any single country. Thus, we cannot so compare different countries as to generalize as to the causes of unemployment with certainty and precision. To my mind, the Labor Department of the League of Nations can undertake scarcely any activity more useful than the compilation of reliable statistics in this connection. That, of course, would involve initial agreement upon some definition of unemployment. What is it? What is its relation to short-time? If fifty men are working half-time, they are only doing the work which could be done by twenty-five men: and it is difficult to know whether to call them employed or unemployed. But we may here, perhaps, without concerning ourselves with borderline cases or with the individual who is waiting for some job particularly adapted to his desires and will not work till he gets it, define an unemployed person as "one who is seeking work for wages, but unable to find any suited to his capacities and under conditions which are reasonable, judged by local standards."

NECESSITY FOR COMPLETE UNEMPLOYMENT STATISTICS

Now, as I said, there is a very great lack of precise information with regard to unemployment taken in this broad

sense. The lack is greater in America than in England, but the advantage of the latter country may be called accidental, arising mainly from the fact that England has a system of national unemployment insurance, and anyone who wishes to take advantage of it must register himself as unemployed. Again, the British Trade Union Statistics furnish some help in this matter. Between 1888 and 1913 unemployment varied in Great Britain, in the trade unions which made returns, between 2.1 per cent in 1889 and 7.7 per cent in 1913. To what extent those percentages were typical of the whole industrial population we cannot precisely tell; but we are justified in believing that, apart from the unprecedented conditions arising out of the War, the average proportion of unemployed workers can be stated roughly as about 5 per cent. In other words, in Great Britain, taking the average of good and bad years, but ignoring the quite exceptional circumstances due to the War, five workers are unemployed for every ninety-five who are employed. There is no reason to believe that in other industrial countries such as the United States, France, Italy and Germany the percentage of unemployment is substantially different, although in Belgium it is somewhat lower, for reasons which I will presently state.

CORRELATION OF GOVERNMENT AND MUNICIPAL ORDERS WITH STATE OF LABOR MARKET

Now, when we have some rough notion as to the amount of unemployment, the first step towards its reduction will be, I think, to allocate the orders for government and municipal services and goods in accordance with the state of the labor market—retarding them when trade is booming, and placing them when it is depressed. It has been authoritatively estimated

that orders for work involving the payment of wages to the extent of about 250 million dollars a year could thus be given out or held back in Great Britain in accordance with the state of trade. Such a policy, if adopted, would help materially to even out the curve of unemployment. Suppose trade cycles covered ten years, and that every ten years witnessed a period of acute depression. If, in the previous nine years, orders had been held back for necessary post-offices, harbors, government buildings, etc., there would be a huge surplus with which to meet the time of stress. Joseph solved the problem of fat years and lean years in Egypt long ago!

Then, of course, additional work might be undertaken at such a time, work which, if not absolutely necessary, is eminently desirable, such as afforestation or the reclamation of waste land. Again, parks and gardens might be laid out, or buildings put up, the erection of which, though hardly to be justified by normal economic considerations, is all to the good. The latter items, perhaps, are not very important, but we must consider even small contributions to the solving of our problem.

IRRELEVANCE OF PROTECTIONIST THEORY

On the subject of the political arrangements which a country adopts, I need say only a few words. As you know, many people tell us: "The reason why men in America or England are unemployed is that they allow foreigners to steal their jobs. If you want to reduce unemployment, you must close your ports by high import duties, and prevent foreign goods from coming into your country."

I have only one criticism to offer of this counsel. It is that whatever records are available on the subject of unemployment seem to show that there

is no difference in this respect between countries which are Protectionist and countries which are Free Trade!

REGULATION OF THE LABOR MARKET

The third method of reducing the volume of unemployment is the regulation of the labor market. In Britain, we have a system of Employment Exchanges, at which anyone who wants work can register free. The cost of these Exchanges is met by the government. A man registers at one of them giving his qualifications, as *e.g.* carpenter, and stating that he wants work. Meanwhile, there are numbers of local employers who notify the Exchange if they want men. The official at the Exchange, if an employer has "ordered," so to speak, a carpenter, can simply send this applicant. But if there are no local vacancies for workers of his class, the Exchange official gets in touch with Employment Exchanges in other cities. Possibly in another center there may be an opening for carpenters. This system extends all over Britain, and has certainly helped to render labor more mobile, and to bring the man and the job together. Suppose there were such an Exchange in Philadelphia, and an optical instrument maker went to it and registered. The official might say: "No, we've nothing for you in Philadelphia." But a circular letter containing the man's qualifications, would immediately go out to all other Employment Exchanges within a given area. Of course, Britain is so small that we can take in the whole of it as one given area, but one area might include Philadelphia and New York; and quite probably, the next morning that official would have a telephone message, or a letter, telling him that an optical instrument maker was wanted in New York.

Now this method, by rendering labor more fluid, lessens the number of labor reserves. We may take an illustration from the dock laborers. Suppose there are ten separate docks, each of them busy on some days and idle on other days, and each of them keeping round its gates a sufficient supply of workers to meet the rush on busy days. These workers become attached to that particular dock, even if the work they get is extremely intermittent. They hang round on the chance of a job, as do the other groups of workers attached to the other nine docks. This means ten distinct reserves of labor. An Employment Exchange would merge these ten reserves into one, simultaneously reducing the bulk of each, since all ten docks would never be especially busy on the same day. In other words, the common reserve would be much smaller than the sum of ten separate reserves. The result would be that the workers retained would secure work that was much more regular, although it involved going first to one dock and then to another, while the workers crowded out would give up hanging about the dock gates, and gradually become absorbed in some other department of the labor market.

TRANSIT FACILITIES, BELGIUM'S SOLUTION

Another method of reducing the volume of unemployment has unconsciously been adopted in Belgium. In Belgium, facilities for cheap and rapid transit have been developed more extensively than in any other country in the world. It has a larger mileage of heavy and light railway per square mile of its territory than any other country, and workmen's tickets can be bought very cheaply indeed. The result is that men can work in the town and live in the country, and in 1911,

when I investigated the matter, I found that 56 per cent of the working men in Belgium actually did so, though only 23 per cent were primarily engaged in agriculture. All those who lived in the country, however, had gardens, which practically furnished them with a kind of reserve trade. A Belgian, so circumstanced, when he cannot find work in town, spends the time on his land, doing the heavy work there, so that when industry once again claims him, his wife and children may have only the lighter work to do. Many Belgians, again, keep hens, or pigs, or rabbits. A man can slip up to town early, see if there is a prospect of employment, and, if there is not, come straight back to his garden. This is done by the longshoremen of Antwerp, 85 per cent of whom live in the country. And if trade depression lasts long, the family is not left altogether without work or without resources. They may have to live hardly, but they can manage to live.

MITIGATION OF THE HARDSHIPS OF UNEMPLOYMENT

I come now to my second heading. We have considered some of the methods by which unemployment can be reduced. But there seems little doubt that whatever steps are taken in this direction, there will still remain, at any given time, a proportion of men for whom work cannot be found. Such a margin, at present, and possibly under any conceivable system, is necessary for the proper functioning of industry, which otherwise would tend to become static, merely by its inability to call up a fresh reserve in case of contingencies. Industry really needs to have extra workers available, just as we need in our daily life to have a few extra dollars to meet some additional expense or emergency.

But if industrial progress and pros-

perity demand the presence of this human reserve, it seems to me logically inevitable that industry ought to maintain it. In the first place, to do so is an ordinary business precaution. We do not neglect valuable machinery if for a few days or weeks it happens to be idle. We know that we shall need it again, and we keep it in good condition. Surely we owe as much to the man behind the machine! In the second place, we owe a decent maintenance to the unemployed worker as his right. Under the existing system, the capitalist practically asks the worker to co-operate with him in an industrial undertaking. He guarantees the latter's wages so long as the undertaking continues, but he claims the whole of any profits left over because, as he asserts, he is "taking all the risks." Now one of the gravest risks in industry is unemployment in times of trade depression. If this risk is borne entirely by the worker, the capitalist is clearly not fulfilling his part of the bargain.

A PLEA FOR UNEMPLOYMENT INSURANCE

I know that in some quarters there is a strong feeling against unemployment insurance. I believe that feeling is based upon unsound beliefs and arguments. It is frequently asserted in America that unemployment insurance has been a failure in England.

But that is far from being the case. Rather, our scheme of insurance, inadequate as it is, has, in my opinion, saved us from something like a revolution, and at the least from very serious civil riots. It must be borne in mind that there is nothing intrinsically demoralizing in unemployment insurance. Its reactions largely depend on the nature of the scheme. In England, insurance benefits do not drop down from the skies for every lazy workman. The method is one of mutual insurance, to which the workman, every week when he is in work, pays 14 cents, and the employer pays 16 cents. When the man is out of work, he gets about \$3.60 a week.¹ It is no more demoralizing to receive it than it is to receive a pension paid for in part by oneself and in part by one's employer.

ECONOMIC LOSS THROUGH THE MENACE OF UNEMPLOYMENT

What is demoralizing, what is dangerous, is a state of things in which this terrible menace of unemployment is constantly hanging, like a black cloud, over the worker's life—in which he is completely at the mercy of fluctuations in trade over which he has no shadow of control. They may, indeed, be owing to some seasonal calamity at the other side of the world, which is beyond human control altogether. No matter how capable, how honest, or

¹ The weekly contributions made by the workers and the employers, as well as the benefits to the unemployed, have recently been increased and now stand as follows:

Contributions:

	<i>Men</i>	<i>Women</i>	<i>Boys</i> (16 to 18)	<i>Girls</i> (16 to 18)
Workers.....	18c.	14c.	9c.	8c.
Employers.....	20c.	16c.	10c.	9c.

Weekly Benefits:

Men.....	\$3.60, plus \$1.20 for a dependent wife, and 24c. for each dependent child under 14.
Women.....	\$2.88
Boys.....	\$1.80
Girls.....	\$1.44

how industrious the individual may be, he cannot escape from this black cloud. We may say: "He can live on his savings when unemployment comes." But the evil may come perhaps in early middle life, when the expenses of his household are at the maximum, and he has been unable to save. If on the other hand, it comes later, a period of unemployment will soon eat up the small provision he has made against old age. This is not fair.

It is sometimes said that many working men "will not give a full day's work." Now, I put this question to you. If you were a bricklayer with a wife and family, and it was winter time, and you knew that when the job on which you were engaged was finished you had little hope of another—would you work at top speed? Or would you dawdle and slack, and make excuses, and try to "nurse the job?" You would "nurse" it, if you were human, and so would I. What is more, I would recommend my "mates" to do the same!

Now we can dissipate the black cloud of anxiety from the working man's horizon if we take a little trouble and use a little common sense. Let me remind you that taking the average over a number of normal years, there are ninety-five workers employed to five unemployed. What does this mean? Simply that an addition of 5 per cent to the wage bill would suffice to pay each unemployed worker his full wages during unemployment. Therefore, the financial difficulty is not insuperable. I am not for a moment suggesting that the above course should be pursued. Human nature is not yet so far evolved that it would be wise to pay a man the same wage when he is not working as when he is working. At the same time, he should be paid sufficient to secure him and his family against serious privation or hardship.

A PRACTICAL SCHEME OF UNEMPLOYMENT INSURANCE

To come to what I consider practical politics, I will very briefly outline a scheme for unemployment insurance drawn up by an unofficial committee of employers, economists and labor men which met many times in London and of which I was a member. We suggested that under this scheme every unemployed worker should receive, for a maximum period of twenty-six weeks in any one year, half of his average earnings when at work. A married man should receive in addition 10 per cent of such earnings for a dependent wife, and 5 per cent for each dependent child under 16, with a maximum of 75 per cent of his average earnings. Calculations showed that the cost of providing these benefits in Britain for 5 per cent of the workers (the figure taken as the proportion of unemployed persons over a number of years) would amount to about 282 million dollars per annum or 4 per cent of the wage bill.

The question—"Who will pay the premiums?"—was discussed a long while by the committee before, in true English fashion, we decided on a compromise, and proposed that the cost of the scheme should be borne jointly, as at present, by the State, the worker and the employer. Briefly, the plan was this:

1. Premiums equal to $2\frac{1}{2}$ per cent of the wage bill (or 185 million dollars) would be paid by the employers.

2. Premiums of a little under 1 cent on every dollar of their earnings (equal to 75 million dollars) would be paid by the workers.

3. Twenty-two million dollars a year would be paid by the State, which would also bear the cost of administration. This 22 millions was the sum already being paid by the State for

unemployment insurance when the scheme was worked out.

SUCCESSFUL EXPERIMENT UNDER THE SCHEME

We hoped that the government would see fit to introduce this scheme, leaving industries free to contract out of it if they could guarantee equal or better benefits. This hope has not yet been realized, but my own firm came to the conclusion that, while waiting for the government, we ourselves could do something, so we introduced a similar scheme in our own factory in York. We set aside 1 per cent on our wage bill (in addition, of course, to the contributions we make under the National Insurance Act) and we undertook to continue to set this aside till the sum amounted to 5 per cent of the wage bill, after which our contributions would be altered to the sum necessary to maintain the fund at 5 per cent of the wage bill, with a maximum liability in any one year of 1 per cent of the wages. The majority of our employes belong to a trade union which, for a payment of 4c a week, allows them \$1.40 weekly when unemployed. Thus, when the scheme was inaugurated, an unemployed man already got \$5 (\$3.60 from the state and \$1.40 from his union), and an unemployed woman got \$4.32 (\$2.88 from the state and \$1.44 from the union). We calculated that a premium of 1 per cent on the wage bill would be sufficient to bring the benefits up to those mentioned in the scheme above described—i.e. half the average earnings, with an additional 10 per cent for a dependent wife and 5 per cent for each dependent child, up to a maximum of 75 per cent of the average earnings.

One important condition in our scheme is that though we guarantee to pay an agreed premium, we do not guarantee the benefits, which, if the

scheme were abused, might have to be reduced or even temporarily suspended. It is obviously in the interest of the employed workers who feel that they themselves may one day be in need of benefit, to guard against any contingency that might unduly deplete the fund. Its administration is in the hands of the workers, who can therefore take whatever steps they consider necessary to check abuse.

I may add that the match industry in great Britain has recently adopted a similar scheme.

Now, while I am deeply desirous of seeing a system of national insurance against unemployment, with really adequate benefits, established in every industrialized country, and while I hope that the League of Nations and all individual governments will devote thought and energy to this most important matter, I am anxious to recommend individual employers to introduce some measure of insurance in their own factories. Some may say that they cannot afford it. But purely from a business point of view, I believe that it pays to give the workers comparative security. How can we expect them, without it, to work faithfully and to "put their heart" into what they are doing?

UNEMPLOYMENT INSURANCE NOT DEMORALIZING IN EFFECT

I have heard it argued that a scheme of unemployment insurance will make men object to taking lower wages when trade is depressed. But does anyone really want to force men's wages down by the threat of sheer starvation? Can we not enter into such relations with our workers as will enable us to lower wages peaceably, when that is necessary? We had no difficulty in England, at our own factory. When we were forced to lower wages, we simply discussed the whole question with the

union leaders round a table, and we decided mutually that it was a case for reduction. There was never an angry word, never an angry thought. Our unemployment scheme made the matter easier, not more difficult.

Nor does it demoralize the workers. We had an ugly, dirty job to offer the other day in the factory. Some men who were getting \$15.60 a week unemployment benefit said: "Give us a chance at that job, if necessary at the sum we are getting now. We want to work!" The working man is no more naturally lazy than we are ourselves. We all like a holiday, but we are soon tired of it, and we want to get back into harness.

In conclusion, the evils of unemployment are such as no civilized com-

munity should tolerate. They sap the health and the vitality of millions of human beings, and they are unnecessary evils. For a weekly contribution of a few cents from each worker, and a tax of about 3 per cent on the wage bill, industry can sweep away these evils. I beg of you not only to find out and adopt every possible measure for reducing the volume of unemployment, but to introduce, without delay, a wisely considered scheme of unemployment insurance. If you cannot get a whole state, or a whole industry, to move, do your utmost in your own factories! It is a duty you owe to the workers who are your fellow citizens. It is a duty you owe to your selves. It is a duty you owe to the country.

Regularization of Industry Against Unemployment

By HENRY S. DENNISON

President, Dennison Manufacturing Company, Framingham, Massachusetts

IN discussing the question of unemployment, Mr. Rowntree has said¹ that the most important thing is to provide for its removal, but added that, as it can never be entirely removed, a proper scheme of unemployment insurance is desirable.

In this connection I want to emphasize two points: In the first place, do not forget how successful is the faculty of the human mind to find reason for the things it wants and against the things it does not want; we must therefore discount the opinion in the minds of some American business men that England is ruined by its unemployment insurance. I do not know whether unemployment insurance is the best thing or not. I am inclined to think it is an important piece of social machinery. At any rate we should not be too frightened to talk it over.

¹ See page 95.

In the second place, we must remember in considering any such vital piece of social machinery that it affects the whole social structure. Our fire hazard today is not what it was before the mutual fire insurance companies began to do business; it is very much lower. Our accident situation is different since we have had compensation policies; and if one would put in unemployment insurance, he must realize that the situation as it is today will not remain the same. With any sort of wise plan of insurance the rate of unemployment will be made better because it will be to the interest of management to make it better.

Our company has taken the plunge into unemployment insurance, and we found the water was not as cold as we thought it would be. I should like to see the next experiment in this country an attempt at mutual insurance against

unemployment. I should like to see the rate vary with the regularity of employment in the industry. The mutual fire insurance companies stick you if you have a dangerous risk and I should like to see such an arrangement worked out in unemployment insurance.

There are two kinds of problems that we must face in the matter of the regularization of industry. One kind arises from irregular employment due to seasons and the other from irregular employment due to cycles. I strongly urge that you keep these two separate in your minds.

REGULARIZATION OF CYCLICAL UNEMPLOYMENT

As to irregular employment due to the cycles which occur approximately once in seven to ten years, with minor cycles about every three years, preventive work must be done in normal times and more particularly in prosperous times. The job of regularization against business depression is a job which takes active form just before we get too drunk on prosperity. When business is recovering from a depression and the curve comes up and crosses the line which might represent a normal increase, profits are increasing at a rapid rate, and we have an optimistic tendency to continue that line indefinitely into the future, thinking we shall always go on at that rate. There is at this time a very strong temptation to over-expansion, and it is at this point that the business man ought to bring to a focus his best attention. We feel too good. We ought to take a careful account of stock and look into the future; but let me urge also that we should look into the past and tabulate the curve, the track of our sales over as long a period of years as we can.

Most of us have been through three or four periods of depression and what

have we learned from them? We have learned little or nothing, because, as Mr. Cooke has said, the practical application of what we have learned must each time be postponed for a period of two years, or more. This time we must not forget, because we have learned that the inability to employ ready, able and willing workers is an unanswerable indictment against our present social system. We need have little fear as to some of the other indictments often brought against our social system, but it is mighty difficult to answer the indictment that an industrial system which boasts that it gives every man a chance to get ahead fails every few years to meet the most fundamental needs of its workers. The world is now in need of all sorts of goods, yet we cannot offer men jobs making these goods.

In prosperous periods we must prepare for depression. In our company we have drawn many curves of our past experiences and we pay close attention to the economic bureaus which give curves condensing the vital statistics of the present situation. In this way we were able to make the estimates, very simply and without any particular genius, that allowed us in January, 1920, when everything was overselling sixty per cent, to make adequate preparation for the depression which struck us in November. It was not difficult, because we had men in our Research Department whose duties were to study, watch closely and figure where we were in the business cycle. Everybody was skating on thin ice and the ice broke, and there was quite a crash in several places. Out at Akron, Ohio, there was general commotion and shoes and textiles were materially affected. Yet I know business men who were buying their year's supplies in August and September, 1920, at high prices when four major industries

had already slumped. It is not difficult to keep in the course if one studies the present as growing out of the past and does not just look at the increase in present figures over past percentages and say, "Isn't that fine?"

We study the cycle with reference to the work of several of our departments. This does not mean that we always get it right. We do not know exactly when changes are coming and do not much care within a few months. Of the great group of commodities which constitute more than half our purchases we buy to have smaller quantities on hand when prices are well above a normal line. We purchase to larger stock standards when the price of any commodity is below its normal line. During war-times the normal lines go to pieces, but war-times are exceptional. Most of the time those lines are fairly easy to determine. When prices go much above that line, we buy from hand to mouth; when below, we buy more generously. We cannot help winning in the long run on this policy. Our advertising is managed on a similar basis. The advertising appropriations are made on a five-year basis and the manager is supposed to reserve his advertising appropriation in good times and blow himself in hard times. This is the principle applied in every department of our organization.

REGULARIZATION OF SEASONAL UNEMPLOYMENT

Regulation of seasonal unemployment requires the use of plans which will vary somewhat, according to the industries to which they are to be applied. In our case, we first got our sales department to get its orders for seasonal goods just as much in advance as possible. We have been surprised to discover how successful they have been. We used to think that jewelers would not order their Christ-

mas stocks until May, but we have found they are glad to order in January, just after cleaning up after the rush. Seasonal orders can be obtained well ahead in many other lines also.

In the second place, we increase the proportion of non-seasonal orders, especially long-delivery items, so that we can work them in during the idle times, and we plan our inter-departmental needs well in advance. Where formerly we let the departments order goods as they liked, now we fit their orders into our other work. For instance, boxes for the sealing wax department are made during the slack periods of the jewelry trade.

In the third place, we build up out-of-season items and vary or add to our lines so as to prevent lay-offs. In the box business the die printers were idle for a certain period each year; so we added die-printed Christmas cards, which are made for the following Christmas during the idle period.

In the fourth place, we do all we can to train our workers for more than one job, and this plan has yielded very satisfactory results. It has given greater flexibility to factory control and stimulated the interest of the workers as well.

I have barely outlined our plans as it would not be possible to go into detail, but I assure you that there is much detail involved in such a program. Much time and patience are required before results are evident, but we have been so far successful that for some years we have run at virtually even production throughout the year, and when the curve of the present depression touched its lowest point, we were able to maintain ninety-six per cent of our normal operation.

I urge you employers to take the unemployment problem as up to you! Don't figure on letting George do it; it's better to help Herbert do it! Don't

figure that the cure for unemployment is the repeal of the Adamson Law, or that the cure is something somebody else can do. It might be, but if it does not happen to be, you have left yourself out in the cold; none of us does his share unless he figures that share to be a little bigger than it really is. The job is up to us! There is much the government can do; there is much the financial group can do; but the greatest share of the job is ours and if we are going to call ourselves managers, let's put mind and soul to this big

task of solving one of the most pressing and vital problems of every industry.

The present condition of unemployment is so serious and is such an indictment against the social system that I earnestly urge you to remember for the next two years, during which the real preventive work must be done, that it is up to you—up to every one of us—to take effective measures so that the next depression will not find us so ill-prepared, will not find us having learned so little from all the depressions that have occurred in the past.

The Russian Famine Region

By VERNON KELLOGG

Special Investigator for the American Relief Administration in Russia

ONE can judge of the situation in a country in which there is an alleged famine by either one or both of two ways. One can study in an office the figures of normal production and consumption and compare them with abnormal production and get a very fair idea of what the food situation must be in the affected region. For example, in the single province, or government, in Russia, of Samara on the Volga river, the annual pre-war production of grain (wheat, rye, oats and barley) was about 120,000,000 poods (a pood is 36 pounds); in 1920 it was 18,000,000 and in 1921, 3,000,000. That is just about enough to feed all the people of this province, if this 3,000,000 poods of grain were equally distributed, for one and a half months. Under such conditions there is bound to be famine unless some food is coming in from the outside.

But there is another way to estimate the situation in a country claiming to be suffering from hunger. That is to see the fields and warehouses and markets and the people themselves.

When you start from Moscow towards the Volga river across the broad plains to the east of the great city, you soon become aware of the peculiar apathy and deadness of the people at the trains; and as you get further along, your attention is unescapably attracted by groups who are camping by the railroad and at the railroad stations. These are the so-called refugee camps—terrible sights. These are the people who, in panic, are trying to flee from the famine region and who have got this far. And when you finally reach the Volga itself, you will find more refugee camps along the river—a broad, slow, muddy river rather like our Colorado of the West after it leaves the cañons and gets out on the desert. All along this river on which move still a few heatless, lightless, foodless boats, there are many of these camps of men, women and children who want to be taken away anywhere on the boats. The people in the camps have a certain kind of food with them. It is their bread, black, sticky, awful, made of bark and bits of roots and leaves and of "clay"—really humus.

They are living on this and some potatoes and cabbages.

When you analyze these groups, you are struck by this fact: that half the people in these refugee camps are peasants and peasants' families. They are the people who come from the sources of food; the fields in which food is produced, if any is produced. Almost always in relief work the people who have to be helped are those in the cities, the workless working people, the industrials who have no money to buy food at the high famine prices. But here in Russia, before you get into the famine region itself, you know there is famine by finding out that the refugees are the peasants themselves, the food producers.

THE NEED OF THE CHILDREN

It is not my intention to harass you with stories of the dreadful things one sees in the Russian famine region. Just one little picture that will not leave my eyes. The people are trying to take special care of the children—hungering people always try to do this—and so they have set up children's homes in towns along the Volga. Children are picked up on the streets, orphans in fact or orphaned in effect by being deserted by parents unable to feed them, or they are brought to the homes by the despairing parents. The parents are not killing their children and eating them, as has been reported in some newspaper stories, but they are giving them up. And the children are collected in these homes—bare, heatless buildings—with very little food but all that the few brave women who are trying to take care of them can get.

In Children's Home No. 5 in Samara I happened to come in just at the time for the noon meal. This was composed of horse meat—the farmers are killing their farm animals which they cannot

feed—and grits. All the children were sitting on the floor in a large bare room, most of them with their backs to the wall in a pitiful line about the room. There were three cots in this room and four children were lying on one, three on another and three on another. After they had eaten their meal, I said to one of the women, "Where do they go now?" "They stay here," she said. "Where do they sleep?" "They sleep here." "Do you bring in mattresses and blankets?" I asked. "We have no mattresses and blankets," she replied. "Is this all the food they have?" And she answered, "Yes, when they have any food at all." When I told these women that the next day they would have rice with sugar and milk and white bread from America, they broke down.

The whole situation is incredible to those who have not seen it; it is beyond description by those who have. The region affected includes at least fifteen million people; it includes a large part of seven great provinces of Russia and around this central famine region there is a region of fifteen million more in which there is a food shortage. This came about, in the first place, by the devastation of six years' constant international and civil war; in the second, by the fatal error of the Soviet government—I do not hesitate to speak thus plainly, for the government itself admits it today—of trying to requisition the surplus production of the peasants all over the country and of prohibiting private trading. Hence the peasants have had no stimulus to produce more than just enough for themselves. The whole agricultural production of Russia has dropped terribly in the last three years because of this fatal mistake. Finally, on top of these causes of food shortage came a drought so real and terrible that there are miles and miles of fields

that were planted in grain in the spring which the peasants have not even tried to enter to harvest.

In normal times the Volga basin is a grain-exporting region, and now fifteen million people in it are crying for help. The government has made an effort to bring food into the famine region from other parts of Russia, but there is no surplus of food in other parts of Russia except, perhaps, in the Ukraine; and in much of the Ukraine the Soviet government is without power. A famous bandit rules there. The government also tried to bring in seed for the fall planting but it succeeded in getting into the peasants' hands only about one-fifth enough seed for a normal planting.

INADEQUACY OF PRESENT RELIEF

What is the world to do to help the Russian peasants at this time? What is it doing? An International Commission has been organized. It has held meetings in Geneva and Brussels, but not one cent of money or one pound of food has been provided by this International Commission. The

Swedish Red Cross is sending in a Red Cross unit. Norway has given one million kronen. The Save the Children League of England has put in Mr. Nansen's hands money enough to buy food for 250,000 children for six months: that is about the total of European relief.

America has a better record. The American Friends' Service Committee has been at work to the best of its ability, doing a beautiful work as far as it goes, but handicapped always by lack of resources. And, finally, the American Relief Administration, under the chairmanship of Mr. Hoover, is now feeding one million children and will be able to do this until the first of next September, the time of the next harvest. But there are four million children who ought to be cared for; and there are the mothers and fathers of these children to be cared for.

The world is letting this people die because we do not send from America and Roumania and Bulgaria, where there is a surplus of grain today, the food to keep them alive. Shall we let this go on?

The American Intervention in Haiti and the Dominican Republic

A Report Prepared by

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for the Year 1921*

FOREWORD

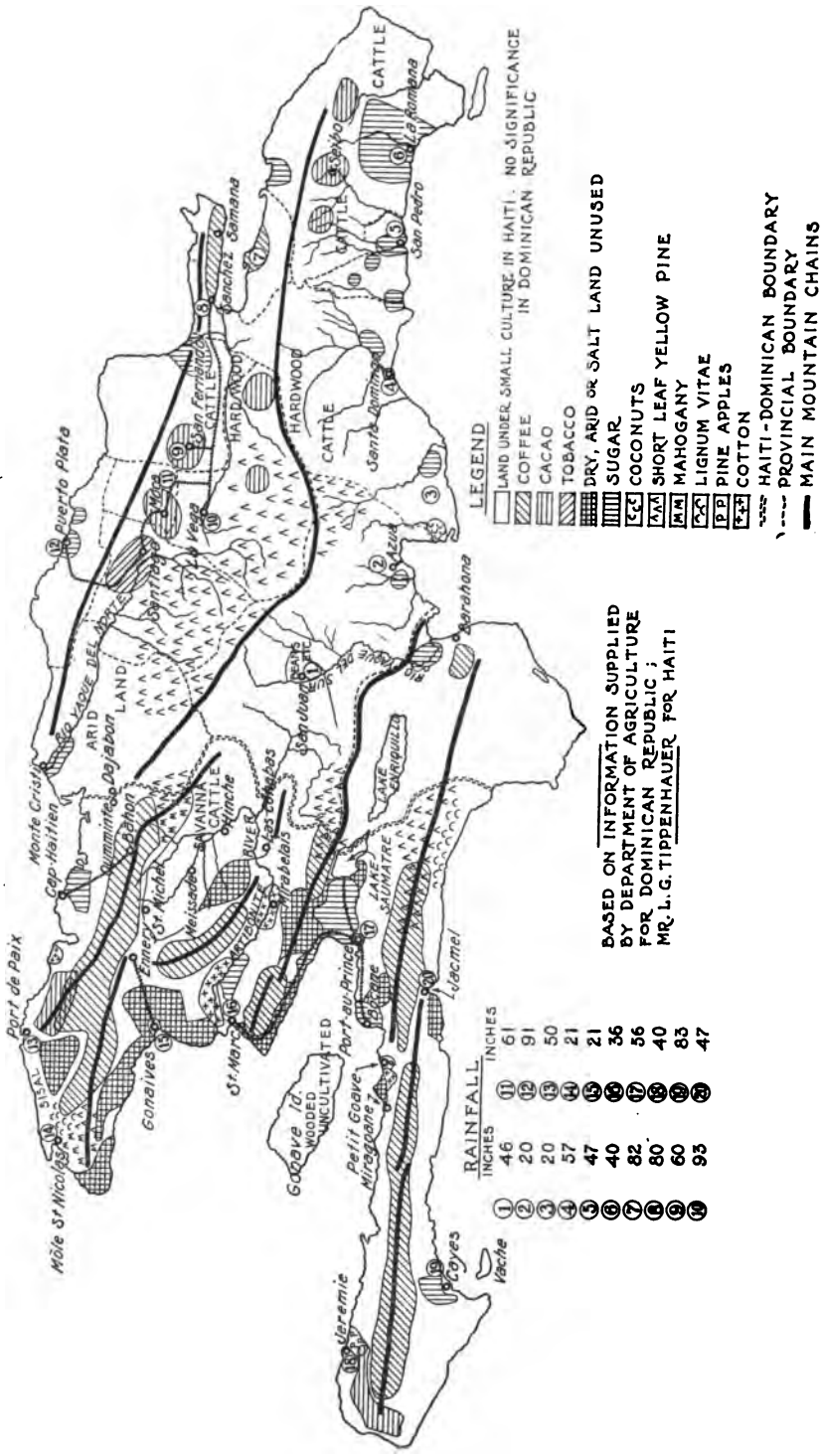
FOR some years past the members of the Board of Directors of the Academy have been convinced that a great national service could be performed if the Academy, in addition to the regular publications, were to undertake special investigations on questions of national interest and place the results of such investigations at the disposal of our members and of the general public. It was with this end in view that the Board decided to undertake a survey of the economic, social and political conditions in Haiti and the Dominican Republic. The public discussions relating to these two republics have contained so much of a political and partisan nature that the Board deemed it important that the public opinion of the country should be enlightened by an impartial and unbiased study of the situation.

The study is one that required a man of mature judgment and thorough scientific preparation. By unanimous agreement, the Board selected Dr. Carl Kelsey, Professor of Sociology at the University of Pennsylvania, to undertake the investigation. Dr. Kelsey has spent nine months traveling through Haiti and the Dominican Republic, and has placed before the members of the Academy the results of a careful and searching analysis of the situation. The members of the Board feel convinced that the results of this first appointment to an Academy Research Fellowship fully justify enlarging the scope of the Academy's activities along the lines of such special investigations, and it is the hope of the Board that through the coöperation of our members it will be possible to establish an endowment fund which will enable the Academy to provide for a series of research fellowships; thus placing at the disposal of the country the results of careful and impartial investigation of the problems concerning which the public opinion of the country is called upon to make momentous decisions.

L. S. ROWE,
President.

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Introduction

I REACHED Haiti about the first of February, 1921, and remained until July the second, when I went to the Dominican Republic, staying there until October 22. I saw every important town of Haiti with the exception of Jacmel, and spent two weeks on a trip through the interior. In the Dominican Republic I got a glimpse, at least, of nearly every province. During this time I had opportunity to talk to people in all walks of life. I had no fixed itinerary or set program. I roamed about as opportunity presented trying to see things for myself. I had no official connection of any sort with the government though it was difficult to persuade the natives that an American civilian traveling about was not on some secret mission. While there I read all the best available books written by Haitians or Dominicans, and kept in touch with the newspapers. Perhaps I might add here that if some of my strictures seem severe they can be duplicated from the works of reliable native writers.

Everywhere I was received with courtesy and friendly attentions. Every opportunity was given me to meet men or see conditions. This applies to all the United States officials, both civilian and military, to foreign residents and to the Haitians and Dominicans. I was welcomed in the local clubs of all the larger towns. It is my own fault, therefore, if I failed to get an accurate picture of the situation. Of course, there were many men whom I wanted to meet but failed to see for one reason or another.

It is utterly impossible to try here to thank by name all those who generously gave me their time. Nor can I

even name many of those who opened their hearts to me, lest I be the indirect cause of harm to them. I tried to show them all that I was appreciative of their aid, and to them all I again express my gratitude.

On my return I am again struck by our ignorance. Too many educated people here confuse Haiti and Tahiti. The two islands of Haiti and Santo Domingo appear in questions put to me. "Is the United States in any way involved in Santo Domingo?" was asked the other day by a man of wide reputation. Unfortunately much of the material which has appeared in our press is so grotesque, or deliberately twisted, that the reader gets a very false impression. Our future relations with these countries are destined to be closer than they have been and it is important that we should come to know the essential facts. Is it too much to hope that in the day of the new diplomacy even our public departments may tell us of their operations and their problems instead of waiting until the attacks of enemies put them on the defensive? I shall be well content if I have in any way thrown light on the situation, and shall be grateful to any who will call my attention to errors.

Some of my Haitian and Dominican friends will not only disagree with my judgments but may feel hurt at some of my statements. From this there is no escape and even they will be glad that I have tried to tell the truth as it appeared to me. Some things impress the foreigner differently from the native. I am confident that all will find running through these lines the same friendly feeling which I find in my heart.

Obviously one cannot enumerate the many individual exceptions to all general statements. Haiti and the Dominican Republic are struggling with an age-old problem, the attainment of civilization. No people can

guarantee the financial success of another, or its political success, but we may by our policies help or hinder and my sole desire is in some way to help.

Philadelphia, January 5, 1922.

The Island

ABOUT 1,200 miles south of New York City one will find on the map the island of Haiti or Santo Domingo, considered one of the most beautiful in the world, lying directly between Cuba and Porto Rico to which it is intermediate in size as well. It is some 400 miles in length and 170 in width, but of very irregular shape. The total area is over 28,000 square miles, or a little less than that of Ireland. There are a number of dependent islets, some of considerable size but of little value today, though a few thousand people manage to eke out a precarious existence on the island of Gonâve in the bay of Port-au-Prince.

Topography. As a whole, the island is extremely mountainous, the chains running from the west with a southerly trend with intervening valleys in which rivers are found. The mountain slopes range from steep to precipitous, rising often to more than 3,000 feet, a few peaks reaching 8 or 10,000 feet. These ranges constitute serious obstacles to travel and make roadbuilding both difficult and expensive. Thus the whole southwestern peninsula is a mountain range rising abruptly from the ocean on both sides, with no level ground on the south except the plain of Cayes, and with none on the north until one reaches the neighborhood of Port-au-Prince. Save in a couple of places it is nearly impossible to cross the peninsula. At some recent time, geologically speaking, this peninsula seems to have been separated from the larger island to the north. Southeast from Port-au-Prince there is a low plain extending into the Dominican Republic with sulphur springs on the northern border, and two considerable lakes of brackish and salt water, one

of which is below sea level. Near St. Marc is the mouth of the Artibonite River, the largest in the island. The central ranges which stretch from Mole St. Nicholas on the northwest almost to the most eastern coast form the backbone of the island. These die down in the Dominican Republic, and offer one good pass at an altitude of less than 1,000 feet. South of this range, at its eastern end is a considerable coastal plain, largely of coral formation. North of this range, from Monte Cristi to Samana is a large valley divided into two parts, the eastern section being that to which Columbus gave the name of Vega Real, rich and well-watered, while west of Santiago is found the Yaque del Norte running through an arid region to its mouth at Monte Cristi. There is another low range between the valley and the coast. Although there are many rivers and streams these are the only two in which boats of any draught may run. As a matter of fact, they have never been useful as waterways and such use in the future is doubtful. All the rivers are subject to sudden flood, thus making fording problematical as well as sometimes dangerous. Their availability for purposes of irrigation will be mentioned later.

Rainfall. The influence of the mountains on rainfall is most marked and places only a few miles apart may vary greatly, one being humid, the other arid. The southwestern peninsula is well watered while the northwestern is largely barren desert. The actual rainfall varies from 12 to 150 inches per year. At one place in 1919 rain fell on 16 days only; at another there was rain on 124; while in certain mountain districts 12 inches was the lowest

record for any month and rain fell nearly every day of the year. As a rule the rains are local rather than general and are also of short duration, an all day's rain being a great exception. Most of the rain falls in late afternoon or evening,—little in the morning. In most of the island the natives expect a longer rainy season in the spring, and a shorter one in autumn, the intervening periods being dry. These terms do not have fixed values and the periods are more or less fluctuating.

Climate. Although the island is within the tropics lying just south of the 20 parallel, the proximity of the ocean, the contrast of mountain and valley, the daily winds modify the temperature and the nights are usually delightful. Here again local conditions vary, but taking Port-au-Prince as typical we find that the hottest day of 1919 was on August 6 when the thermometer registered 95° at 1.00 p.m., while at 9.00 that evening it stood at 71°. The lowest temperature recorded for the year was 68° on January 18, and the average was 77°. In the high mountain valley of Constanza frosts are reported during the winter and many an American in the hills at night after being caught in a rain has been convinced that he was about to freeze. The intense glare of the sun, coupled with the steady heat makes advisable the use of colored glasses by visitors from the north, while the towns with paved streets seem like furnaces during the days of summer. Violent storms and electrical disturbances are not common although great damage is occasionally done along the coasts by hurricanes, as the wreck of the Memphis lying against the sea wall of Santo Domingo City testifies.

Resources. Most of the reports on the island speak of the wealth of mineral resources. It is true that the

Spaniards found some gold in the possession of the Indians and that today, in a few places, peasants can make thirty or forty cents a day washing gravel. It is true that one can find pretty good specimens of copper and other metals. It is true that small deposits of lignite are known. It is also true that more or less constant prospecting since the time of Columbus has failed to pay its own cost, let alone reveal any great deposit. If there are minerals worth mining their location is not known. Just now there is a possibility of the discovery of oil in paying quantities. The opinion of the best informed men seems to be that the fertile soil rather than metallic deposits will be the source of the wealth of the future.

Animal Life. There are no large wild animals. In some districts the goats run practically wild. Bird life is fairly abundant and practically every kind of bird that can be killed is eaten. Doves of several species are abundant and are highly esteemed as food. Ducks are common locally. The guinea hen is now widely distributed and sometimes becomes a nuisance to the gardener, particularly since the elimination of firearms by the American forces. There are hawks but no buzzards. Other than scorpions, centipedes and tarantulas there are no animals whose bite is at all poisonous. Flies are not numerous but mosquitoes are, and malaria is a prevalent disease. The mongoose has been introduced from Jamaica and, though little known as yet, may be a source of trouble in the future. Fishing is not a well developed industry, largely no doubt because of the absence of ice, yet there are many fishermen along the coast, and the kingfish and red snapper are seen in the markets. Lobsters are common enough though seldom eaten by natives who catch them only for

sale to foreigners. Turtles and crabs abound. Little lizards are everywhere in evidence but the great iguana is now very rare. There are crocodiles in the lakes.

Vegetation. Mahogany and other desirable trees are scattered about, not, however, in large quantities, and most of the remaining specimens are so difficult of access that they hardly repay costs of transportation. There is a promise that some trees little used heretofore may prove available for ties for American railroads. In some of the mountain areas, particularly in the Dominican Republic, there are considerable stands of yellow pine. Most of this is unused. An owner of timber land in Haiti told me that he could afford to cut timber when he could get \$120 per hundred feet. There are a few mills in the Dominican Republic, but lack of transportation still blocks any marked development. Most of the building lumber is therefore imported from the United States. Dyewoods are fairly abundant and in pros-

perous times are exported. No attempt has ever been made to plant valuable trees.

Wild fruit trees of many sorts are found, the mango being the most important. Citrus fruits do well but are very irregularly distributed. Many grapefruit are seen in the markets of Port-au-Prince but in the city of Santo Domingo all the grapefruit are imported from Porto Rico. There are no real orchards on the island, though there are large plantations of bananas and plantains. The coconut palm grows freely but is used locally only, no copra being dried for export. At the altitude of about 1,500 feet a subtropical zone is reached where all sorts of vegetables and fruits of the temperate zone prosper. I have seen Irish potatoes of excellent quality which were grown in the hills near Santiago.

The island is divided between two countries, the Dominican Republic occupying the eastern two-thirds, some 18,000 square miles, Haiti, the western part with some 10,000 square miles.

CHAPTER I

The Haitians

POPULATION. No census has ever been taken but the estimated population of Haiti is 2,000,000, or about 200 per square mile. As a matter of fact there are large areas almost uninhabited, like the arid district from Mole St. Nicholas to Gonaives, the San Michel Valley and parts of the eastern border; in some places the population is dense, very dense when considered in relation to the agricultural development. There are no reliable figures as to birth and death rates but the estimated population in 1800 was about 550,000 and there has been little immigration. Children are everywhere in evidence but the death rate appears to be very high and the aged do not seem numerous.

Origin. The overwhelming mass of the people, at least 90 per cent I should say, seem to be of pure Negro stock. The upper classes are notably lighter in color and there are small areas where a relatively light color tone prevails. We know that there was a considerable mixture in colonial days and since that time there has been considerable intermarriage between the incoming Europeans and the Haitians so that there are no pure white families save those of recent immigrants. The original Indian stock seems to have left no trace. At first one gets the impression that there are twice as many women as men. This is probably due to the fact that the women go to market, or because the men are working in the fields away from the house. In the old days the men who entered the towns were often seized and made to serve in the "volunteer army," so the women carried the produce to town.

The Syrians. About 1890 there came into Haiti the first of a group destined to play a considerable part in the retail business, the Syrians. At first they bought largely from German merchants and peddled their wares through country districts. Later, finding they could buy more cheaply from the United States they did so. Being shrewd merchants they were disliked by their Haitian competitors and by the Germans. Although they never numbered more than a few hundred they were ordered out of the country by a law of 1918, passed, they claim, at the instigation of the German merchants. Since the Occupation some 200 of them have returned. They claim to do \$3,000,000 business yearly with the United States. A few of them are American citizens. Save stragglers from other islands these represent the only immigrant group which has entered Haiti in many years. This, of course, leaves out of account the marines, French priests and sisters, and other foreigners temporarily resident in the country. Barring these, there are only a few hundred whites in Haiti. The foreigners are all in the towns.

Distribution. All the large towns of Haiti are on the seacoast. The Capital, Port-au-Prince, has about 100,000 inhabitants; Cape Haitien, 17,000; the rest are much smaller. The bulk of the population live in villages scattered through the interior or in isolated cabins. Go where one will in the country, provided agriculture is possible (and in many places where it seems impossible), he will find the "cayes" of the peasants. These are often temporary

rather than permanent structures, for a considerable percentage of the peasants seem to migrate rather freely, clearing a little patch and cultivating it for a couple of years and then wandering to some new location.

Towns. Wherever possible the towns of Haiti are laid out in squares. The streets of Port-au-Prince in the business section are well paved with concrete. Many of its streets are macadamized as are some of the streets in Cape Haitien and elsewhere. In every town there is some central square, often decorated with shrubs and flowers, and a market place, the latter being usually the most interesting spot in town to the stranger. The water systems are not very adequate but the officials tell me that there is difficulty in keeping them in good condition owing to the acquisitive habits of citizens who need pipes and spigots. In older days the towns are said by old residents to have been extremely filthy and one had to walk in the middle of the street and keep a sharp lookout to avoid unexpected shower baths from the second story. The Americans are praised for having "cleaned-up" and for prohibiting the dumping of refuse in the streets. The stores are usually one or two story structures looking like warehouses, and such they are, for the stock on display is generally a small part of that on hand. There are practically no sewers. Surface drainage is all but universal.

Health. The prevailing diseases in Haiti are gonorrhea, syphilis and yaws (which are said to be very common), tuberculosis, malaria, filariasis and intestinal parasites. The country has been very free from epidemics such as yellow fever and bubonic plague. Yet these would probably run through the population like wildfire if they ever got a start owing to the hordes of mosquitoes in many districts and the armies

of rats which infest all the towns and much of the country. Much fun was poked at the Financial Adviser for installing a couple of rat-catchers at Port-au-Prince when the bubonic plague was reported in New Orleans.

Throughout 1921 an epidemic of smallpox swept the country, having been introduced from another island. The efforts of the American doctors to check it at the start were rendered futile by the ignorance of the masses and the foolish prejudice of local physicians. The papers everywhere denounced the Americans saying that it was nothing but chicken pox: but when the deaths began to increase, the criticism became that the Americans were incompetent. Several hundred thousand persons were vaccinated. Thousands on thousands suffered. I have seen smallpox patients deathly sick lying by the roadside soliciting alms from passers-by. Often they were left in their cabins without food and drink. The ignorant peasants were seen vaccinating themselves from virus drawn from active cases. I was a guest at lunch in the home of a merchant in one town only to find later that there was a convalescent case of smallpox upstairs. The death rate in the hospitals was about 6 per cent and no one knows what it was in the hills.

The country is very inadequately supplied with doctors. There are physicians in the towns but none in rural districts. Even the town physicians are often incompetent. One doctor, for instance, in a maternity case was observed taking the only sterile towel he had and spreading it on a chair to protect his clothes. The natives are said to have a good knowledge of local remedies for fevers, but one questions the efficacy in a case of cancer of the stomach of killing and disembowelling a cat and placing the carcass on the patient's stomach. A priest told an

American physician that a woman who feared a miscarriage was placed on a table, a lighted candle placed in the umbilicus and allowed to burn out. One girl under quarantine was observed to take down the flag, carry it with her while she visited a friend across the street, and replace it on her return home. Hospital facilities are inadequate. Exorbitant fees are charged for making country visits. The number of lepers is estimated at 500 or 600, the insane at about 600. There is no special provision for these. Sanitation is unknown and a Minister of the State was indignant when compelled to clean his latrine.

Amusements. The favored pleasures of Haiti are cock-fighting and dancing. Cock pits are found everywhere. Gambling is universal. Dancing in the country is to the thumping of the drum, almost the only music of rural Haiti. These dances get pretty hilarious at times if the rum supply is adequate. The tourist hails every simple dance as "Voodoo," but he exaggerates. In the clubs of the upper class, chess, billiards, poker, whist, all have their advocates, while orchestras provide the music.

Domestic Animals. The average peasant has few domestic animals. He may own a few pigs which are allowed to support themselves and which develop tail, nose and legs at the expense of fat. The burro (worth from \$5 to \$10) is the common work-animal and is also the most valuable for he carries a large part of the goods to market, with the owner perched on top of the load. Cattle are scarce. The horses are small. Save on large plantations, the animals are seldom used for draught purposes. Chickens abound and are all of the small Mediterranean breeds. To judge from casual observation, they are quite as common in the towns as in the country, in part because they

are being kept alive until time to cook. There are a good many turkeys which sell for \$1 to \$1.50 in the Port-au-Prince market. Goats are common.

Land Ownership. There is great, almost endless confusion, with reference to the ownership of the land. There has never been a survey. The government claims to own large tracts but it seems to have no maps or adequate descriptions. There are some titles coming down from early days and the plains appear to be held by relatively few people. Many families profess to have large holdings in the hills but from these little revenue is derived as land is seldom rented but is managed directly by the owner. Inasmuch as squatter titles are admitted under the law any attempt of these supposed owners to take full possession would be most difficult. It seems to be the practice for the peasant to settle wherever he finds land not in use. The settlement of this land question is one of the most fundamental prerequisites to any improvement of conditions in Haiti. Foreigners were forbidden to own real estate until the adoption of the last constitution in 1918.

Agriculture. While there is a good deal of fishing along the coast, and a certain amount of cattle raising in the San Michel Valley and the upper Artibonite Valley and locally elsewhere, agriculture is for most Haitians not only the fundamental but also the sole means of gaining a livelihood. The fact that there are in the country no nurseries, no seed houses, no regular dealers in stock, indicates that conditions are very primitive. A prominent man asked me one day if I had seen one of the many beautiful mountain places. I said "No" and added that I wished he would take me to see some of the best farms. He replied, "There are none," and his answer was almost literally correct. There is no

agricultural school save a rather pathetic beginning near the Capital. Outside of the large sugar plantations, largely though not wholly under foreign control, there is no real agricultural development.

Of course, there are in fact well located and prosperous farmers who may be contrasted with others poorly located and shiftless, but their methods are much the same. A plough is rarely seen even in the plains and would be valueless on most of the steep hillsides. The one universal tool of the Haitian peasant is the machete (almost identical with our corn knife). With this he clears the ground, piling and burning the brush. Then with his machete he digs up the soil a little in just the place where he is to put his seed or plant. He cultivates with his machete by cutting the weeds or stirring the soil about the plants. Axes, hoes, etc., are known but seldom seen. The farmer saves his own seed or gets it from neighbors. Much time and energy are consumed in these processes. Arriving at Port-au-Prince early in February one finds the hills back of the town almost deserted, few cabins being visible. By the middle of March the hills are dotted with dark spots, which are the cleared areas being prepared for the spring planting. Trees are rarely planted. There are not even coffee plantations. All the natives do is to pick the berries from the wild plants descended from those brought in by the French after 1738. A competent observer said that in 1915 not over 1,000 acres in the entire country were well cultivated.

Marketing. The roads of Haiti are lined with women and burros bringing produce to village or town. These women often walk from fifteen to twenty-five miles and seem satisfied if they sell fifty cents worth of provisions. Indeed they might refuse to

sell all their load should you meet them ten miles out for they would thus lose the joy of barter and chatter afforded in the town. All night long they walk, en route to arrive at daylight. Picturesque? Yes, but the waste of human effort in such a system is enormous. At the market they must pay a small fee for the privilege of displaying their wares.

Home Industries. The making of a few sweets like the crude brown sugar called "rapadou," some candles of beeswax to be burned in church by the faithful, some mats of palm, or simple baskets, practically exhausts the list of home manufactures.

Houses. In the towns, the houses range from the crudest of hovels to fine villas and residences, oftentimes with very attractive grounds. At Cape Haitien the houses show the Spanish influence which is not seen in the South. In the country, the cabins are of two types. The more common is a framework of poles interwoven with splints and plastered with mud, with a roof of palms. More substantial structures are made of split palm boards. The acme of style is represented by the metal roof, possessed only by the fortunate. The floor is usually of earth. Doors are of wood, as are the windows, glass being unknown outside, of the towns, where it is rare, shutters generally taking its place. All doors and windows are closed at night, but as the house is seldom ventilation-proof no great harm results. In the house there is practically no furniture. Beds are seldom seen and even in the towns are not found in the poorer houses.

Outside the cabin, the ground is very likely to be swept clean and, except in wet weather, present a neat appearance. Often there is some flowering plant, perhaps a cactus hedge. Very likely there is a little shed with thatched roof where the cooking is done,

food eaten, the siesta taken. Ovens are not unknown but the open fire on the ground is more common. In the country brush is used for fuel; charcoal in the towns. The burning of charcoal is quite an industry. For water, dependence is placed on streams. Even in the plains cisterns and wells are very rare. Many of the cabins are a mile or more from any water supply and the water is carried in calabashes. Needless to say that under such circumstances it is not wasted. There are no latrines except in the towns. Near the cabin is probably a little clump of bananas or plantains (almost identical but the plantain is not sweet) and a little garden close by so that it may be watched.

Language. The official language of the government is French but the actual language is "Creole," which is spoken by every Haitian whereas only a small minority can speak French. The number who can understand it is greater. Nearly all the families use Creole in the house whatever else they use in company. Creole is made up of a few hundred French and a few dozen other words from English or Spanish and African, all with an African type of construction. At first it is no more intelligible to the Frenchman than to the American. It is not particularly difficult but varies a great deal in different sections. Creole can be written but its transcription is difficult. In the schools, French is used. In time, as education develops, Creole will be supplanted by French, or will be modified into a French dialect. As it is now, one appreciates the story told in Haiti that the Lord was not satisfied that the French had been adequately punished when driven out of the country so left their beautiful tongue in the mouths of the Haitians to be crucified anew each day.

Religion. The official religion of

Haiti is the Christian (Roman Catholic) and the State assumes the support of the Church. During most of the nineteenth century the Pope seems to have had little control but a concordat was signed in 1860. Prior to that date the priests are said to have been "sans foi ni loi." Since then, practically all of the priests and sisters (some 635 in all) have been sent over from France. There are but two or three Haitian priests. These men and women are generally distributed over the country and are doing a splendid work. Among them are men who served in the French army throughout the war. They form the best informed foreign group resident in Haiti. There are fine cathedrals in Port-au-Prince and Cape Haitien and churches in all towns. There are a few Protestants on the island, some being descended from a company of American Negroes who migrated there many years ago. A few missions are maintained by other groups.

In all but the highest circles the real religion of the people is of African origin with a veneer of Christianity. It is common to speak of all these African rites under the name "Voodoo," a term often overworked. The different tribes originally had different customs but as no tribal distinctions have survived in Haiti the resultant is a blend. Based as African religions were on fear, the propitiation of the deities was very important. With this, as every student knows, was a curious emphasis on sex. The Voodoo dances of today, therefore, often degenerate into sexual orgies. Several attempts were made by the Haitian government to suppress these Voodoo dances but the government dared not be too stringent, and probably was not very enthusiastic in the first place. They are now under the ban of the law but they still exist, though seldom seen by the whites.

Some of the presidents of Haiti have been Voodoo priests. When President Simon left office a fetish of some sort was found in the palace and his successor, though personally not accepting local beliefs, feared to offend so sent for a Voodoo priest (a Papa-Loi as he is called) to perform the requisite ceremonies. To an animal deity the name "barka" is given. On one occasion Simon tricked the Catholic archbishop into performing the funeral services of such a "barka," a goat in this case. The deception was subsequently revealed and more stringent rules for the identification of corpses were adopted by the archbishop. Few Haitians will, for political reasons perhaps, deny the power of such barkas or fetishes.

In the country food is usually placed on the grave. I once witnessed a memorial service for a recently deceased child. The priest was busy with Voodoo rites as we approached the cabin but seeing us shifted to the opposite side of the room where Christian emblems were displayed. Later on food was scattered on the highway and, on inquiry, he told us that he did not know the reason for this but that it had long been a custom of his fathers. Even Christian celebrations like Easter have a strong African infusion. From Friday to Sunday the Lord is supposed to be dead and the devils therefore have their opportunity. To hinder them it is necessary to knock on wood. So all day long there comes rolling up the hills about Port-au-Prince at intervals the reverberations of the faithful.

As is natural in this stage of religious development superstition is most prevalent. No native mother attends the funeral of a child as this would cause another death in the family within a year. Should a funeral procession stop for any reason in front of a

house holy water is secured at once and the house sprinkled. From such naïvetes to belief in charms and witchcraft, the simple mind runs the entire gamut.

Human Sacrifice. The idea of human sacrifice is as repugnant to the high class Haitian as to the American. Many of the best Haitians do not believe that it ever occurs, and are sincere in their belief. Others have told me very positively that it does. Such is the belief of some of the best informed foreign residents including many of the French priests, one of whom said he would put the number at one a year for the entire country. It takes a long time to overcome old customs. Such sacrifices are said to be of children only.

Cannibalism. The eating of parts of human sacrifices is alleged to occur at times. There is some evidence that the eating of parts of brave enemies, not as food in the ordinary sense, but in an effort to gain the qualities admired in the victim, may have occurred. The American marines in Haiti firmly believe that this happened in at least one case, for a native confessed that he had taken part therein. It is also believed by foreign residents to have happened in other instances. A magistrate told an American that he knew a man was convicted in court of this offense in 1909. Only one Haitian admitted to me that he thought it possible, but I was present in a little interior village when a native gendarme accused a woman of having eaten human flesh. This she denied with every indication of horror. If it ever happens it is certainly extremely rare and is viewed by nearly all Haitians just as we view it.

Personal Traits. The first strong impression I got of the Haitian people was their manly self-respecting bearing. There was no subserviency in their

attitude toward the whites. I do not mean that there was any indication of surliness or insolence. Speak to the market woman or the peasant on the road and you are sure of a "bon jour" often accompanied by a tipping of the hat. They seemed willing to do any favor. Everywhere they have borne the reputation of being very hospitable without demand for money. If one spends the night in a country cabin the best is offered and payment very often refused. They are sometimes likely to deceive you for they are inclined to give you the answer they think you want. In general, however, they are honest when charged with definite trusts. It has been necessary in days gone by to send large sums of money by messenger and in sailboats around the coast and I am told that such money was always delivered. The life of the white man or woman has long been secure and the murder of a white has occurred only under great provocation. My impression is that the people are willing to work but their work standards are not ours.

Elsewhere I speak of schools. Here I want to mention the handicap the Haitians carry because of ignorance. The peasant knows from tradition and experience a good deal about the adaptability of soils to crops and seldom blunders. Outside of this he knows nothing of any save the simplest processes. Give him a wheelbarrow and he will transport it on his head. Tell him to take a bicycle three miles and it will go on his head. Show him, however, how to use these articles and there is no trouble. He shows an adaptability to handle automobiles and drives fairly well, often, indeed, becomes proficient at minor repairs, but is an untrustworthy chauffeur both because he is happy-go-lucky and because he appreciates so little the meaning of momentum and other physical

factors entering into accidents. The railroads do not rely on Haitian engineers. One such, asked one day if there was water in the boiler, said it was all right anyhow. He could run the engine without water. He had done so once.

There is among the Haitians an indifference to suffering which seems to us heartless. I believe this, too, grows out of ignorance. When one does not know how to prevent suffering he becomes much of a fatalist. Open sores on animals are frightfully common. Animals are expected to work indefinitely without food. Perhaps fifty per cent of the hack horses in Port-au-Prince cannot take the driver and one passenger up the long but easy hill to the American Club, yet few drivers will refuse to attempt it. Moreover, the Haitian standard of driving is incessantly to nag the horse by jerking the lines. Much of the same indifference is shown by the lower classes to human suffering. They have always seen suffering. Why worry?

The Family. The fashionable marriage is under the auspices of the Church and this is the legal form. As a matter of fact most marriages are what we call "common-law" while in local dialect the girl is said to be "placed." Such placements are often followed later by formal ceremonies when the couple have accumulated adequate funds. They are not always permanent and there seems to be considerable freedom in forming and breaking them. One caco leader is said to have seven camps with a wife in each. Stories are current of men with a dozen or more wives and many score of children. Children are desired and are as often spoiled as abused. A couple will sometimes sell a child for a dollar or two but this involves an idea on their part that the child will be better off in some better situated family than at home.

Domestic slavery of this sort is very common, the child growing up in another house and being the servant of the family, rarely sent to school, and receiving nothing until grown save board and clothes.

Home Life. Among the poorer people there is little in home life save residence under one roof. There are no regular meals, food being taken whenever convenient, or whenever secured. The children are pretty much left to their own devices as the mother is very likely away at market, the father working in the fields. Sometimes in the evening stories are told around the fire or pine torch. Games for children are strangely lacking. In the upper classes the home life is much as in the United States.

Food and Drink. Rice and red beans might be called the national foodstuffs. The peasant eats boiled plantains, bananas, yams, cassava and corn, with whatever fruits he can get. He is fond of salt fish or pork. Sugar cane is highly esteemed. My opinion is that the peasant is underfed.

Aside from water, the native uses coffee which is much better than most of that we get. He is also fond of rum which the poorer classes usually get in relatively crude forms under the names of "taffia" (unrefined) and "clairin" (partly refined). Drunkenness is not common either because of the use of rum from childhood or because there is not enough money to get enough rum. Of the rum itself there is no shortage. The wealthier classes drink whatever they like as no "amendment" hinders them.

Clothing. Not being liable to sunburn, the young child is seldom hampered by clothes. More precocious here as elsewhere the girl attains them first. Thereafter it is largely a question of the available supply. Formerly the country women coming to

town are said to have worn blue costumes. Now the costumes are made of any material obtainable. The men are more or less clothed, for exposure of the body is no offense, and the washwoman along the streams are often practically nude. This fact makes the complaint of one paper, that the American doctors made the Haitian women bare their arms to the shoulder that they might vaccinate them, seem a bit ludicrous. Shoes are seldom worn by the peasants, and the white man going about in the rainy season would often like to have the feet of the peasant. The clothing of the peasant does not seem overly clean and yet soap in the form of bars about an inch square and thirteen inches long is one of the articles most frequently imported. Bathing is frequent but whether in waste water or stream seems to make little difference. The wealthier classes draw their styles from Paris and are so insistent on formality that at government receptions the men must wear heavy black dress suits.

The Color Line. At first sight no color line seems to exist in Haiti but closer observation reveals it. True, the blackest man may aspire to any position in the country and, if he has enough force of character, may attain it. True, the country has boasted of the expulsion of the white man and the elimination of the white color from the flag. "Black man with money, mulatto: mulatto with money, white man: white man always white man," runs the local saying. The line can be found. The servant is usually darker than the master. Black men can be found in the highest circles but these circles are decidedly lighter in color than the lower. Low grade foreign whites marry at times into high grade native circles. One native father was surprised when advised to find out something about the American

who would marry his daughter. The idea of investigating the white man had not occurred to him. A citizen came to an American official asking the release of a prisoner. He admitted his friend's guilt but said, "Don't you know he is compelled to work under a black sergeant?" "These girls are praying the Lord every night to send them light-colored children" said a French woman. Two Haitian girls educated in France were dumfounded on return to Haiti to find themselves of mixed parentage. A Haitian woman hearing that the Dominicans were of mixed descent plaintively asked, "Then why do they hate us so?" The color line has found its way into politics and there have been "black" parties opposed to "mulatto" groups. I do not know how much emphasis to give this factor. The Haitian writers who discuss it are not agreed. It may be in part a tacit acceptance of a widely held philosophy that the black is the inferior. I was told of one able Negro who could not marry into the lighter group and who, therefore, refused to marry. It indicates in any case a desire to be accepted on a basis of equality which at times is almost pathetic.

The Upper Class. "What did you expect to find when you came to Haiti, Europe or Africa?" asked a charming gentleman one day. Yankee-like, I asked in return, "If I go out into the hills what will I find?" His reply was a smile. Go into any gathering of the upper class, shut your eyes and listen and you will believe yourself in a cultured European gathering. In bearing and courtesy, in interest and appreciation of art, music and literature, in ability to sing, play, dance or discuss, the American finds that he has no advantage. Their feelings lie a bit nearer the surface than ours and voices break forth in angry discussion or boisterous mirth more quickly but they

as quickly subside. Why should not these things be so? Many of these people, who can afford it, have been educated in Europe and go there whenever possible. Their traditions are European, not African. They know more of foreign language than the corresponding groups of Americans and are more likely to talk in English to you than you are to talk in French to them. Like gentlemen they respond at once to courteous treatment and like gentlemen they resent condescension or overbearing manners. Too often they have received the latter where they had a right to expect the former.

The Two Haities. Geography sometimes misleads us. There are two Haities, not one, though the geographical boundaries are the same. The first is of Africa, for there is little essential difference between rural Haiti and Africa. The second is of Europe. The first is illiterate, the second, educated; one uncouth, the other, polished; two languages, two religions. An African mass struggling to keep itself alive in this physical world; a small handful struggling to attain equality with the civilized world! Where can a more striking contrast be found?

The Slave Tradition. Haiti is suffering from a survival of slavery traditions. The French masters directed; the slaves did the physical labor. When freedom came the leaders, usually mulattoes (though the men of action, the military chiefs, have often been black) tried to carry on the old traditions. Educated Haiti does not like work, nor has it ever learned the dignity thereof. To-day your Haitian gentlemen will not carry packages from store to house. Your high-toned Haitian girl will hardly stoop to pick up a handkerchief dropped on street or in church, though she will call a servant to do this. Haiti has no work ideal, and whenever possi-

ble the lower classes follow the example of the upper. You call on Miss A—and are met by the maid of Miss B—who will go one hundred yards to get the maid of Miss A—to have her find out whether Miss A—is in or not, while all the time Miss A—is within call and hears the conversation. The house-owner waits for half an hour for the return of the servant sent to carry a step ladder to the house across the street and finds that the servant has been standing at the gate hoping to find a laborer whom he can hire to return the ladder, for such labor is beneath the dignity of the house servant.

The young man recently given a position as chauffeur at a salary which means comfort to his mother will surrender his position rather than hold the reins of the horse when your wife rides into the yard and finds the yard boy gone. The chauffeur of the machine bringing a friend to get the trunks of an officer and finding only one servant at the house will go a mile to bring up a couple of prisoners with a guard, rather than help carry the trunks. The gentleman in straitened circumstances coming to sell you a few books will arrive empty-handed, and a small boy, hired for the purpose, will come in a few minutes carrying the books. The transaction finished, the former owner of the books will probably depart in a cab for it is not customary for gentlemen to walk in the middle of the day. The only employment, then, befitting the gentleman is clerical or professional labor. To many this means a government position for technical training is not common and in Haiti, as elsewhere, the only place where training and ability are not needed is in government service. Yet work must be done. By whom?

The Masses and the Classes. Haiti won its freedom but in a very real sense traded masters, substituting

mulatto for white. For forty years or more, the rulers had tried various devices of compulsory labor to get the fields cultivated, yet production decreased. They wrote glowingly of agriculture but the state has never done anything for agriculture save to establish a fête and to permit the agriculturist to pay most of the taxes. It puts no tax on the land but it puts a heavy tax on the chief export, coffee, which must be paid by the poor peasant who gathers it. It refuses to tax the manufacture of liquor but it taxes the export of cacao. The burden is all thrown on the poor man. The result of all this is that while there is patriotism in the sense of love of country in the upper classes there is none in the sense of sacrificing self for country nor is there any real appreciation of the basis of public welfare. The country has been governed for the interest of the upper classes.

Public Morality. Haiti has not yet learned that a public office is a public trust. In America we have trouble with individuals who violate this standard, but in Haiti it is expected that the official should “graft” or “faire Calypso” as it is termed. Government offices have been looted by out-going administrations; everything movable in government ships has been carried away. You wonder at the fine houses in Port-au-Prince till you learn the customs. One of the finest was built out of “surplus materials” of the palace; another, from the “remains” of the Cathedral. The negotiation of the sale of a warship to Haiti enabled one official to construct a fine residence. A writer states that 5,000 gourdes was the price for voting in favor of a new constitution and 500 gourdes for a venal contract, and that a deputy who accepted 300 gourdes bragged of his honesty. He adds that one minister demanded 37,000 gourdes for a

house for which only 15,000 had been paid, and when asked for reasons said he had no information to give; whereupon the sum was voted. One woman expressed regrets to a friend of mine that her husband had lost a government position paying \$30 a month, not, as she hastened to add, on account of the \$30 but because the position gave him a chance to make \$1,600 a year. In all matters, then, the legislators have expected their "pots de vin."

The head of one of the oldest business houses assured me that in the old days the real profit came from dodging customs dues; another added through speculation in gourdes. More coffee was always received at Havre than was exported from Haiti. All contracts and franchises had to be arranged and I am told that a corporation, nominally at least, American, gave shares of stock to the family of a high official even after the coming of the marines. An American contractor told me that officials had suggested grafting schemes to him. So it went. Is it any wonder that many Haitians today sincerely believe that American officials must in some way be making extra money out of their positions.

The Wrong Attitude. There are some who will say that all these things are indicative of the capacity of the Negro. Not so, for they have appeared everywhere on earth when similar theories of government have obtained. The fundamental reform needed in Haiti is a change in the attitude of the upper groups.

Government. Barring the short periods when a couple of rulers styled themselves emperors, Haiti has always been a republic. In reality, however, it has always been a military despotism as the thirty-nine military posts would indicate. It has had an ample supply of constitutions from 1805, 1806 (when it was stated that a new and *regenera-*

tive constitution was needed) through the years 1816, 1843, 1846, 1859, 1861, 1867, 1874, 1879, 1889 down to the last in 1918. The "elections" had always been a farce in that they but "elected" the man who had seized the power in his hands as the "saviour of his people." However, as soon as things were settled and the appointments to office made, there were more hungry and dissatisfied people on the outside of the administration than contented within, and the conspiracies started anew. As a rule they did not cause great loss of life or danger and loss to foreigners. One fact in Haitian history not yet adequately explained is why practically all of these revolutions started in the North. The later revolt against the Americans was in the same district. It may be that distance from the Capital has been the chief factor as some have claimed, but others have tried to show that there are differences in the people, in the degree of culture, etc. The first effort of the revolutionist was naturally to get control of the custom houses in order that money might be secured.

The existing organization of the Haitian government is simple. The executive department consists of the President (elected for seven years by the National Assembly, and ineligible for reelection till one term expires) and a cabinet of five members appointed by the President, to wit: Secretaries of "Foreign Relations and Justice," "Interior," "Finance and Commerce," "Public Instruction and Worship," and "Public Works and Agriculture." The republic has two legislative houses: the Chamber of Representatives with ninety-nine members elected by the people and the Senate of thirty-nine members elected by the representatives from lists furnished by the President and the Board of Electors.

The country is divided into five de-

partments in each of which is found a commissar directly appointed by the government and a man of great power for he practically controls all appointments of local officials. Under the departments are the communes, ninety-two in number, each administered by a communal council whose head is called the communal magistrate. The smallest divisions are the sections under a chief of section. The section and communal officials receive very small salaries from local funds arising from sale of market privileges, licenses on business, etc. There is much complaint as to grafting here as well. Practically all local improvements are paid for by the national treasury.

In the judicial system we find at the bottom the justice of peace with a salary of from \$16 to \$20. The courts are the Court of First Instance, the Court of Appeals and the Court of Cassation (the Supreme Court). The presiding judge is paid \$200 per month, his immediate assistant, \$175, and there are nine judges at \$150 a month.

According to all accounts many of the lower judges are incompetent. As one critic put it, perhaps 30 per cent of the judges know the law and 50 per cent can use it; the rest are worthless. The Haitians themselves have little confidence in the courts. One prominent lawyer said he could win any case for \$1,000. He assumed, of course, that his opponent did not have \$2,000 to spend. Some of the higher judges are able men. Haitian lawyers seem to prefer to settle cases out of court if possible.

Cases in Court. Little dependence is placed on the courts by foreign residents. Let a few cases suffice:

A firm arranged with a local agent to purchase 10,000 pounds of tobacco of a certain quality. Being told that this purchase had been made, it investigated and found a very poor quality,

which it refused to accept. Suit was brought and the court ordered payment for the entire amount, even though it was shown that the agent had only about half of the contracted amount in his warehouse.

A British subject paid a garage man \$53 for repairs on an automobile estimated in advance at \$19. Incidentally he found that garage man was using it without his permission. Disgusted, the owner decided to sell the car. He sold it in eight days. Four months later, the garage man demanded \$25 as commission on sale. When refused he used threats, then presented a bill of \$40 for storage. When this too was refused, he brought suit. The owner was not told when the case was to be heard. On the testimony of the garage man, without hearing the owner, the court gave a verdict of \$40 to the garage man plus 100 gourdes (\$20) for moral damages.

Several thefts occurring in a certain boarding-house, a lieutenant of the Gendarmerie arrested all the servants who could have had access to room from which the money had been taken. One servant practically confessed. Another brought suit for damages, claiming her reputation was injured. It happened that the suit would not lie, being brought against a foreign vice-consul, but the lawyer fully expected to win. The only connection of the vice-consul with the case was that he had lost the money and notified the police.

A provoked American struck a native boy. Suit was brought. The American sent a doctor to examine the boy and the doctor returned a bill of \$500 for services. He accepted \$100 in settlement. The American had two short conferences with a lawyer who returned a bill for \$2,500 but accepted \$650 in settlement. The American did not dare let these bills go be-

fore a native court, yet the lawyer had charged more than he was earning in two years.

One merchant imported shirts of a peculiar pattern not elsewhere on sale. One day a man wearing such a shirt entered the store. Examination at the custom warehouse, where the shipment had been left, revealed the fact that ninety shirts had been stolen. The man could not tell a straight story as to how the shirt had come into his possession. Yet, as there was no direct evidence, he was discharged and started a counter suit for moral damages, which had cost the merchant 1,500 gourdes up to the time I left.

An American firm bought a quality of coffee but examination showed that some of the bags contained stones only. Yet the court ordered payment in full.

Attitude towards Property. In Africa, it is stated, food is tribal and not private property. That is the opinion of the Haitian. The universal story of Haitians and foreigners alike is that foodstuffs (and practically anything else) will be stolen. If you see yellow oranges on a tree in Haiti you may know that they are bitter. No sweet orange ever gets that color on the tree. Gardens must be constantly watched. A Belgian told me that on a banana plantation of his compatriots they got no bananas until several natives opportunely died. The peasant leaving his cabin unguarded must bury or carry with him all his possessions, and even then he fears to find the doors stolen on his return. In town everything must be taken off the porch at night and locked up if it is desired to keep it.

I do not mean to imply that all Haitians are thieves but enough to make property somewhat of a nuisance. There is no danger of your automobile's being stolen, for it cannot be hidden, but it may be used without your knowl-

edge. One friend of mine was ordered to pay \$1,000 for injury done to a woman by his chauffeur, when at the time he had supposed the car was standing in front of his place of business. Such an attitude towards property is a serious handicap to development.

Education. The common statement in Haiti is that from 95 to 97 per cent of the population can neither read nor write. A prominent European resident in Port-au-Prince told me that one day he stopped on the street and pretended to be unable to see the hands on the large clock above. He asked passers-by and not until he had reached the seventeenth, a boy of ten, did he find anyone who could tell him the correct time. The Americans have found teachers who could not sign their names or add sums of money up to thirty gourdes; music teachers, who knew no music and could play no instrument. Here too was graft. Rent was paid for school buildings burned years before; salary to a teacher who admitted not having entered the building in years. Although on paper there is a complete system of schools in the country with attendance obligatory and tuition free, there are no publicly-owned buildings. The schools are scheduled to open in October and close in July. On paper, there are some 900 schools but the enrollment is admittedly only about 40,000, and an American who studied them carefully stated that in 1920 the actual attendance was not more than thirty per cent of this number, say 14,000, with as many more, perhaps, in the schools under the charge of the French Fathers and Sisters. This same investigator reported some 1,800 teachers on the list, the average salary paid primary teachers being about \$7 a month, the actual payments ranging from \$4 to \$15. Some of the town schools are pretty good, although there is a feeling that

they have suffered in recent years. It is admitted that the church schools are by all means the best. The average attendance in the public schools seems to be about ten pupils to each teacher. In Port-au-Prince with a population of 100,000 there are not more than 7,000 pupils.

The condition is deplorable and the worst aspect of it to me is not the poverty of teaching material or the inability with present income to pay living wages or extend the system. But I could find few indications of a genuine and widespread belief in public education. There are highly trained and able men who have come up from the public schools, yet those in power are only too willing to tell the people that they will do the thinking for them, an attitude not unknown even in America. What I mean is that until the dominant group see that they and their country are held back by the ignorance of the masses there is not likely to be a great movement in favor of public education unless some outside stimulus is supplied. Many people now favor the extension of education who do not see any way to get it.

So much for the Haitians as they are. Let us now consider the use made of the country, and its future possibilities.

Ports. There are twelve ports open for foreign commerce. Of these only Port-au-Prince is equipped with a wharf. At the rest, lighters are necessary. Some of the ports are practically open roadsteads, dangerous at times. There are two lighthouses, one at Mole St. Nicholas, the other at Port-au-Prince. As vessels are forbidden to enter or leave before sunrise or after sunset without special permission, this second light has little utility.

Railroads. There exist several stretches of what will be a through road from Cape Haitien to Port-au-

Prince which, when completed, will open up part of the interior. At present the road borders the ocean most of the way and was constructed primarily for military purposes. The line from Cape Haitien runs south some twenty-four miles to Bahun and handles some local business. The second line in the vicinity of Port-au-Prince handles a certain amount of passenger traffic to Leogane but is primarily a cane-carrying road. The future of railroads in such a rough country is very problematical. A short branch serves as a street car line in the Capital.

Roads and Other Communications. Much headway has been made in recent years but there is great need of roads into the interior, as for instance, the upper Artibonite valley. Some system of trails in the hills, modelled perhaps on that in the Philippines, would be of great value for the bulk of the produce is carried on animals. There are thousands of trails now but they are usually in bad condition.

The larger towns have telephone systems and the country is fairly well provided with telegraph and postal service. There is cable connection with Europe and America and inadequate wireless service. Information spreads rapidly from mouth to mouth. Military men tell me that they never make a patrol or inspection without finding themselves expected at the destination.

Steamer Service. Regular passenger service from most of the ports to and from New York is maintained by the Panama line while the French line has a direct steamer to Europe about once a month. A Dutch line has regular cargo boats for Europe. There are many sailing boats about the coast and more or less regular connections to Santiago, Cuba.

Commerce. The chief exports of Haiti are coffee, cotton, cocoa, sugar

and dye woods. The chief imports are foodstuffs, cloth, iron and steel, and soap. The figures on main articles for the year ending September 30, 1919, are as follows:

<i>Imports</i>	
Wheat Flour.....	\$2,708,772
Rice.....	1,123,658
Meat.....	191,847
Other foods.....	1,334,934
Soap.....	839,756
Cloth.....	4,789,814
Iron and Steel.....	731,227
Tobacco.....	381,844
Liquor, beer and other beverages..	129,212
Automobiles.....	70,996
Agricultural implements.....	32,003
<i>Total</i>	\$17,117,608
<i>Exports</i>	
Coffee.....	\$16,407,233
Cotton (incl. seed).....	1,933,576
Cocoa.....	648,395
Logwood.....	578,698
Sugar.....	506,959
Goat skins.....	369,959
Hides.....	149,992
Honey.....	260,565
Castor Beans.....	231,453
Lignum Vitae.....	70,825
Mahogany.....	4,436
<i>Total</i>	\$21,460,044

The three chief ports for imports are Port-au-Prince (\$9,597,499), Cape Haitien (\$2,301,909), Cayes (\$1,469,278) or \$13,318,687 of the total; for exports, Port-au-Prince (\$7,450,599), Jacmel (\$3,256,580) and Cape Haitien (\$2,933,689). In 1919 ninety-three per cent of the imports were from the United States, while of the exports forty-four per cent went to the United States and fifty-two per cent to France. To some extent this is an indication of war-time conditions, for Haiti has preferred to trade with France, but in part it is an index of a growing dependence on the United States.

Industries. There are thousands of little booths along the roadsides and

of small shops of all sorts in the towns, and there are many tailors and shoemakers. "Big business" is largely in the hands of foreigners. At an early period the French seem to have been dominant; in later years, prior to the World War, the control had passed to the Germans. Germans had built the wharf at Port-au-Prince and one of the railroads. These have passed into American hands, nominally at least. American concessionaires had built the other railroad. There were no other American enterprises in the country of any importance. In recent years a plantation company has invested about \$1,250,000, chiefly in the St. Michel Valley. There is a small factory for the extraction of dyes near Cape Haitien and in 1921 a company was formed to grow and can pineapples, also at Cape Haitien. Several Americans have entered business in various towns. There is a cigaret factory at Port-au-Prince. The City National Bank has purchased the Banque Nationale and become the strongest financial undertaking in the country. The American Foreign Banking Corporation tried to get a foothold but found business unprofitable and withdrew in 1921. The Royal Bank of Canada, a strong institution, has several branches in Haiti.

Poverty. From what has been said it must be evident that the Haitians are poor. This is perhaps the first strong impression the visitor gets. Only a poor people will work for twenty cents a day, the prevailing wage today. Only hungry people will pick and deliver coffee for three cents a pound, which is all the peasants got in 1921. One can even understand the reply of the President in days gone by when complaint was made to him that the Haitian coffee brought a low price in Europe because it was so dirty and full of stones: "But we get three cents a

pound export duty, stones and all, do we not, even though you say that one-third is stones?" "Yes." "Then let the old law stand." Need Haiti be so poor?

Agricultural Possibilities. In spite of the dense population of Haiti which is now beginning to overflow into the Dominican Republic, the soil can be made to produce much more than it does today. The hillsides where the rainfall is adequate might be covered with valuable woods and with fruit trees yielding far greater returns to the cultivator than do the few vegetables he grows today. The wonderful mountain scenery, only a few days from New York, might be made very attractive to those seeking to escape our cold winters. The plains have great possibilities which are unrealized today for their soil is rich. The production of sugar, cacao, etc., is only a small fraction of what it might be. Let us examine them a bit.

One who rides out to Cape Haitien over the plain of the North which stretches from the ocean back to the hills, on one of the highest of which are perched the ruins of the famous "Citadel," will find some 70,000 acres of level land. The soil is of humus and black clay to a depth of twelve to fourteen inches, with subsoil of mixed clay and sand to the water-table at ten feet. There are no stony outcrops. The soil is suitable for cane, pineapples, etc. Yet today it is largely overgrown with woods. Agriculture is possible without irrigation but there are three small streams flowing through the plain. Everywhere the tourist sees ruins of old gateways and stone walls encircling acres of land. He rides down a muddy path in the centre of what was once a wide avenue. He crosses brick culverts built perhaps one hundred and fifty years ago. Before long he realizes that this must at one time have

been a garden spot, and such it was, for here was the centre of the old French culture and from here went enormous quantities of sugar, 24,000 tons in 1796. Probably there are not more than 500 acres of cane here now and practically none has been grown for a century.

The second plain is on the west coast, the Artibonite, between Gonaives and St. Marc with some 20,000 acres of level land. Here the country looks like Arizona. The Artibonite twenty-five miles from the mouth is running about a billion gallons of water every twenty-four hours, entirely unused. Here the problem is difficult for the Artibonite will be hard to dam. It is here the French once installed what appear to have been the first steam pumps in the new world and I am told their remains are still to be found.

About seventeen miles north of Port-au-Prince, the plain of "Arcahaie" stretches some twenty miles along the coast with a width of from two to five miles, some 30,000 acres. This has been under cultivation for a century. There are now some 5,000 acres of cane, 8,000 of plantains and 3,000 of minor fruits. The soil is easily worked but is depleted. There are five small streams, four of which were used by the French for irrigation. The works have not been kept up.

Just between Port-au-Prince and Lake Saumatre lies the plain known as the "Cul-de-Sac," containing some 96,000 acres of which 70,000 are adapted to cane, the balance being mostly low marshes of which 10,000 acres are valuable for pasture in dry seasons. This was entirely cultivated by the French but today 30,000 acres are wooded. By the proper development of irrigation projects, for the rainfall is inadequate here, it is believed that 1,260,000 tons of cane could be grown on this plain. Just west of Port-au-Prince

is the little plain of "Carrefour" of 1,700 acres, 1,200 suitable for cane. Three thousand tons of cane is the estimate of possible production.

A little further west is the plain of "Leogane" with dark rich soil which reminds one of the Mississippi Valley. It contains some 20,000 acres, all good cane ground, with an estimated possibility of 350,000 tons. There is a good deal of cane here but it does not seem to be well cared for, the production seeming to average about ten tons an acre.

On the south shore is the plain of "Cayes," rich soil of some 150,000 acres of which perhaps 10,000 are now in cane. Here the rainfall is some seventy-five inches and irrigation is unnecessary. Within sight of the town of Cayes is the little island, Ile de Vache, with a central plain of some 8,000 acres on part of which cane might be grown, though it is used for grazing land today.

The French in 1791 with 792 mills produced 163,500,000 pounds of sugar.

From the revolution down to 1919 no sugar was exported. In the year 1919-20, 8,798,877 pounds were exported—the product of one American-owned mill.

Haiti's Need. This summary indicates that there are great opportunities in Haiti, if. Now what is this "if"? Primarily, stable government. This is, of course, not the sole factor, but it is one great fundamental which Haiti has lacked. So far as I can learn, it has never been the practice for either Haitians or foreigners to invest their capital in Haiti in any enterprise not under their immediate control. In large measure this has been due to the many uncertainties surrounding property. If there is to be a solid and substantial development in Haiti some way must be found to induce the residents to make investments at home and thus to gain a personal interest in the use of the land, the organization of the markets, and all the other essentials of communal welfare.

CHAPTER II

The Military Intervention

ALTHOUGH the United States had always respected and upheld the independence of Haiti, it became increasingly worried over the situation after 1900. Sam, Alexis and Simon were overthrown and exiled; Leconte was blown up with the palace; Auguste was poisoned; Oreste and Zamor were exiled and the latter killed on his return—all between 1900 and 1915 when Guillaume was killed. Haiti was heavily indebted to French and German bondholders, and, to a lesser extent, to English. These countries were beginning to send representatives

with reference to collection and once or twice money had been collected by force. Moreover after 1912, there came to the State Department evidence that Germany was talking to Haiti about a loan of \$2,000,000 to be secured by certain port rights, control of customs, and rights in a coaling station at Mole St. Nicholas. All of this seems to have happened without the knowledge of the American Minister to Haiti, a man who had had no previous diplomatic experience. Germany denied the charge but added to her denial made in 1914, the state-

ment: "The German Government has joined with other European governments in representing to Washington that the interests of European countries in Haiti are so large that no scheme of reorganization or control can be regarded as acceptable unless it is undertaken under international auspices." This challenge to the Monroe Doctrine could not be ignored. Moreover the incessant revolutions in Haiti were producing a state of anarchy.

During the six months' rule of Zamor in 1914 it was rumored in Haiti that Washington was negotiating with him and the report was used against him. In October, 1914, the Haitian Senate passed the following resolution: "The Senate, after hearing the denial of the Secretary of State for Foreign Affairs, of the existence of negotiations between the National Administration and the government of the United States, declares its satisfaction with his explanation and condemns any kind of treaty." On November 7, 1914, Theodore replaced Zamor as president, and early in December the American Minister (then Mr. Bailly-Blanchard, who for a generation had been secretary of our legation in Paris and knew French perfectly) made certain proposals with reference to the control of the custom houses and on December 10, 1914, submitted a project for a convention. On December 15 this was peremptorily refused and the matter was dropped with the statement that the United States "was actuated entirely by a disinterested desire to give assistance."

By March, 1915, Vilbrun Guillaume Sam was president of Haiti and a commission of two men from Washington arrived, claiming to be agents of President Wilson. Their powers were challenged and they soon left. In May, Mr. Paul Fuller, Jr., was sent to Haiti with the title of Envoy Extraordinary.

On May 22 he submitted a proposal covering the following points:

(1) The United States will protect Haiti against all foreign attack.

(2) The United States will assist Haiti to suppress insurrection by the use of all forces needed.

(3) Haiti agrees not to sell or lease Mole St. Nicholas in any way to any foreign government or the nationals thereof.

(4) Haiti agrees to enter into arbitration agreement for settlement of foreign claims.

To this the Haitian Government replied on June 4, 1915, accepting clauses 1, 3, 4, and adding a fifth to the effect that in case of disagreement with reference to this convention the difficulty should be submitted to the Hague. Clause 2 was changed to read that the United States would facilitate the entrance of capital to Haiti for business purposes, would aid in unifying the debt, in modifying custom guaranties, and in establishing monetary reforms. To accomplish these ends Haiti would employ only trustworthy men in the customs' service and would organize a rural mounted constabulary. If necessary, after consultation between the two governments, American troops might be employed to suppress insurrection in Haiti to "be retired from Haitian territory at the first request of constitutional authority." After exchange of notes Mr. Fuller left on June 5 and further discussion was prevented by another revolution.

Arrival of the Marines. Cape Haitien being threatened by a revolutionary army, marines were landed on June 15, 1915, from the French cruiser, *Descartes*, of the allied patrol fleet. This action forced the hands of the United States, which seems to have had no thought, let alone plan, of active intervention. In July, American marines landed in Cape Haitien from U. S. S.

Washington and *U. S. S. Eagle*. The latter was left at the Cape, and on July 26, 1915, the *Washington* sailed for Port-au-Prince. The next day 160 or more political prisoners, including members of many prominent families, were murdered by order of the president, who took refuge in the French legation. The official immediately responsible for the massacre was taken from the Dominican legation and killed. The English and French representatives cabled for warships. On July 28 the president was dragged from the French legation and cut to pieces. Rear Admiral Caperton at once landed marines from the *Washington* and *U. S. S. Jason* was ordered to bring all available men from Guantanamo. Possession of the city was taken with little opposition. On July 30 the French cruiser, *Descartes*, arrived and landed a legation guard. On August 12 Dartiguenave was elected president. On August 16, at the request of the State Department, Admiral Caperton was ordered to take charge of the custom houses and to use the receipts for organizing a constabulary, for public works, for the aid of discharged soldiers and relief of the starving populace, and for the support of the Dartiguenave government. This was done against the protests of the Haitian Government.

A large part of the people were well pleased with the advent of the Americans, but many politicians who saw their plans checkmated were, and have continued to be, antagonistic. Bands of "cacos," the local term for revolutionary bandits, which also included all sorts of lawless and criminal gentry, roamed the hills and offered opposition to the Americans wherever possible. It should not be forgotten that these men lived by theft and robbery, as a rule doing no work, and that the poor peasants of the hills have

suffered the most through loss of stock and crops. In some sections practically all the domestic animals were killed or stolen. The suppression of these bandits was a slow process and the last of the bands was not broken up till the summer of 1921. These troubles have all been in the north central and eastern sections of the country; the whole southwestern peninsula has been quiet almost from the first.

In attempting to judge of what has been accomplished certain facts must be kept in mind. Here is a country where a small number of intelligent, educated and sometimes unscrupulous men control a great mass of ignorant peasants. It is a country where the tradition of having overthrown the flower of the French army still survives and where orators still boast of their ability to overcome any invader, a land where the simple peasants still believe that they can be rendered immune from bullets by charms. The caco leader, Benoit, carried a book of charms with him and yet evidently was a bit skeptical for when urged, only a couple of days before his death, to surrender, he said he did not dare to for his followers would kill him if he admitted his inability to win out. Given the conditions of the country which make life easy and capture difficult it is clear that the suppression of opposition is difficult. So the Haitian presidents have always found.

The fact is, then, that a large percentage of leading Haitians were thoroughly despondent over the situation and were ready to welcome any force that promised to give them peace and order. They fully expected that the Americans would take complete control and work order out of chaos. In fact they expected the impossible. When, for reasons we shall consider elsewhere, the new day did not come promptly and in all its glory, they lost

faith both in the ability and the sincerity of the Americans. There were plenty of persons shrewd enough to capitalize this natural reaction to their own advantage and to foment an antagonism which is by no means as great as it appears. Let us now return to the main course of events as they affect the military forces.

The Corvée System. Within a year from the arrival of the marines the country was quiet save for sporadic outbreaks of cacos, and the year 1917 was relatively uneventful. In the effort to suppress these bandits one of the greatest difficulties was presented by the lack of roads. General Butler, in 1917, revived a law, dating from 1865, requiring citizens to work on local roads and thus initiated the corvée system. The execution of this law and the general supervision of the roadwork was turned over to the Gendarmerie. Prominent American residents of Haiti have told me that they advised against this system but were met with the answer that it was a military necessity. At first there was little opposition. The communities were glad to have roads and cooperated. Soon, however, discontent arose. Instead of working near their homes, men were being taken, sometimes driven manacled under charge of Haitian gendarmes, several days' journey on foot from their homes. It is alleged that in some places no shelters were provided. The Americans made provision for food but later it was discovered that the natives in charge did not give it to the men or did not turn over more than a small part of the money allotted for food. In practice, too, the local head, known as the "Chef de Section," whenever called on for men sent whom he pleased, even destroying the cards showing that given individuals had done their share. He thus favored his friends and punished his enemies.

Some individuals worked two or three months instead of the two weeks theoretically required. Many, naturally enough, took to the hills.

In other cases the mistaken zeal of Americans fomented opposition. An American tells me that one day he was riding with a major and a lieutenant. The major criticised the lieutenant because the men were not working on the roads. The latter replied that it was the planting season and that he had given the men two weeks on their promise to return at the end of that time to the road work. The major objected, saying that he would be held to blame, and insisted that the men be called out at once. The lieutenant refused to break his promise and so was transferred and replaced. This was the beginning of trouble in that neighborhood.

Where the men were tactfully handled and fairly treated, different results were secured. Captain B—— who had charge of the section between St. Marc and Pilboro Mountain not only finished it but, when ordered to go on to the next section, carried some 800 men as volunteers with him. He managed things so that each gang of thirty men had a cook. A regular diet with meat once a day was provided and the men were paid two gourdes (40c) a week. Captain B—— lived with the men and was the only white man with them. He had as high as 8,000 men working under him. The men worked about ten hours a day, work stopping at noon on Saturdays. In the south near Cayes the work was so managed that local merchants contributed considerable money and after the stop order was issued there was a petition that the work be continued. Elsewhere there seems to have been some graft by gendarmes and local officials who let men off on payment of bribes.

It was not the system itself, then,

but the way it was handled that seems to have been at fault. As one priest put it, the worst feature was that it gave the unscrupulous leader the chance to tell the natives that the whites were trying to reintroduce slavery, and that it made the men afraid to come to the towns lest they be seized. So great was the outcry that it was stopped on October 1, 1918. At this time there were no marines in the interior and the commander of the north either permitted or ordered the corvée continued in the Hinche-Maïssade district. The facts were discovered by chance, the corvée stopped and the court-martial of the commander advised, but in some way he seems to have escaped. I was told by — that in his presence General — called this man a murderer and a liar and unfit to be in the service but added that for the good name of the Marine Corps he would have him transferred. When it became known that the corvée had been ordered stopped, the antagonism against its continuance is easily understood. Well-informed men have told me that it would have been an easy matter to have got all the men needed for a small payment and that the total cost to the United States would have been vastly less than that of the suppression of the rebellion which was occasioned, though not wholly caused, by the system. In my opinion this was the greatest mistake made by the Marine Corps in Haiti. It should be added that the law itself has not been repealed and that American officers since have been able to get much work done on local roads by appealing to local pride and self-interest.

After January 1, 1919, there was a great increase in caco activity which compelled the establishment of garrisons of marine in the interior, the constant patrolling of the country and many armed encounters with consid-

erable loss of life. It happened, of course, that the men fomenting this activity, and to some extent directing it, supplying arms and ammunition at times, etc., were safe and sound in Port-au-Prince and the Cape. The number of marines in the country was increased from about one thousand to over two thousand and has since been kept at the latter figure. After the foolish and futile attack on Port-au-Prince early in 1920, when the leaders seem to have expected a mass uprising of the people, organized warfare decreased and it became a problem of protecting isolated hamlets against the attack of cacos for, I repeat, the chief sufferers have been the Haitian peasants. Patrols are now maintained largely to give confidence to the people, for the bandits are gone. So quiet and law-abiding are the people that I would not hesitate to go anywhere in Haiti at any time and unarmed. It may be said, then, that at the present time there is no military problem whatever in Haiti, but there is and will continue to be a police problem. It should not be forgotten, however, that only the presence of the marines makes possible the continuance in office of the president and the peaceful functioning of the government. In this connection, let me add that the bills for the Marine Corps are all being paid by the citizens of the United States, not, as many Haitians believe, and as some American writers have intimated, by the Haitian Government.

Gendarmerie. One of the first efforts of the Marine Corps was to establish a Gendarmerie of Haitians, officered at first by Americans with the plan of gradually replacing these by competent Haitians. On July 1, 1921, there were 2,532 gendarmes officered by 16 Haitians and 122 Americans. Four of the Haitians were first lieutenants and it was expected that three others

would soon be advanced to that rank. Privates in the Gendarmerie are paid \$10 per month; corporals, \$15; sergeants, \$20; first sergeants, \$25; all in addition to 15c a day allowance for rations and lodging. The total cost to the country per year is upwards of \$1,000,000. The Americans are drawn almost exclusively from the Marine Corps. To secure good men and hold them it is provided that in addition to their pay from the United States, the Haitian Government should add sums which run from \$250 per month for colonels, \$150 for captains, to \$39 for second lieutenants. The United States Congress passed a special act to allow the men to accept this service. An officer, providing his own car, as many do, is allowed thirty gallons of gas a month and may bring his car in duty free, but has to pay this duty if he sells the car outside of service ranks. As a rule a man occupies one rank higher in the Gendarmerie than he holds in the Marine Corps. This force is scattered in all the communities and rural districts of the country. It is uniformed, the suits being made in the prisons, and is the police force of the nation replacing the old army which was disbanded at the time of the Occupation. It gives great promise of future usefulness.

The Haitians complain that the pay given them is so small that the best grade of men will not enlist and that many cacos and other unfit men are enrolled; also that many incompetent Americans have been appointed. There is a measure of truth in the claims. Yet the pay is not small judged by Haitian resources and compares favorably with that available elsewhere. Many mistakes in appointments have been made but there is a steady weeding out of the unfit. Promotions of Haitians have been slower than many of the American organizers had ex-

pected, but, on the other hand, it has been hard to find Haitians whose standards approached those expected by the Americans. It will take a long time to dislodge the belief that office is to be made a source of personal revenue, and it is difficult to prevent abuse of power. Some of the marines advanced from the ranks to become lieutenants in the Gendarmerie lacked the necessary tact and executive capacity and some of the commissioned men lacked the proper personality. Again some curious errors have been made in Washington. I recall that one captain in the Gendarmerie with a long service record in the Marine Corps, who had been a splendid success and received high praise from his commanding officers, was reduced to the ranks and practically driven out of service by the "plucking board" at Washington, while a lieutenant under him, who chanced to have been sent to France while the captain was kept in Haiti, was given a permanent berth.

On the whole, my impressions of the Americans are very favorable. While there are a few sinecures for the men in a couple of large towns the average officer in little rural communities, living in what we would call a shack, isolated from all white society and deprived of all opportunities for amusement, deserves great credit for his work. Such men are often petty kings and it is to be expected that they fail at times. The evident esteem paid most of them by the natives and the answer one gets if he suggests replacing them by native officers, is sufficient reply to the criticisms. It will be a long time before they can be replaced to advantage. At first the Gendarmerie had various duties but now it is almost wholly limited to police work. The danger that I see is that it may be thought of as a military force whereas it should be a civil force comparable to the mounted

police of Pennsylvania and under *civil* control.

Prisons. Great complaint has been made of the prisons which are under the control of the Gendarmerie. I visited most of them and found them about the cleanest buildings on the island. As buildings they are not very satisfactory but no just complaint can be made as to the way they are kept. Every reliable witness I saw says that they are vastly better now than in the old days. Formerly though the government was supposed to allow ten cents a day for food, little of the money ever reached the prisoners who depended on their families or on alms for practically all they had. The prisons are said to have been extremely filthy as well. The total prison population averages about 2,000 a day. In May, 1921, there were 4,179 inmates. During the year 1920 there were 30,393 prisoners and 1,497 deaths. During the first six months of 1921 there were 9,842 prisoners admitted and 229 deaths. I examined the charts of prison population and found an average of from 40 to 50 deaths a month; but during the summers of 1919 and 1920 the deaths rose to about 68 a month. The chief causes of death were tuberculosis, prison edema (probably beri-beri), pneumonia and smallpox. The epidemic of edema had given the officials grave concern. Though the diet was known to be adequate it was modified and the officials hoped the problem was solved. When one sees the condition of inmates on arrival he does not wonder at a high death rate. I am fairly familiar with institution problems and have no criticism to offer of the way in which the prisons are conducted. The inmates are better cared for than are the great mass of Haitian peasants.

Martial Law. Beginning September 3, 1915, martial law was proclaimed at

Port-au-Prince and was gradually extended to cover the country. Provost courts were established and the press prohibited from criticising the Haitian Government or the Occupation. It was the intention of the Occupation to interfere as little as possible with local institutions but it felt it could not trust the courts. As a matter of fact the provost courts seem to have awakened little antagonism though there is some criticism that their sentences were severe. The Occupation issued an order that no rum was to be sold to marines. This order was, and is, frequently disregarded. In November, 1919, some marines sent a Haitian boy to the store of one Mangones, to buy rum for them. Mangones sold the rum and was sentenced to six months' imprisonment at hard labor. He claimed not to know for whom it was intended and is said to have secured his release through the intervention of the French consul. On September 15, 1920, the provost courts were ordered to sit "only for trial of offenses that are beyond doubt inimical to the United States or a violation of custom laws." That there was some reason for the earlier doubt was shown in the spring of 1921 when a native court freed a customs collector at Ouanaminté who had stolen some \$5,000.

Freedom of the Press. In pre-Occupation days no paper dared criticize the government unless it could get ample protection and editors were often arrested and papers seized. The establishment of a censorship, therefore, had little real effect on their activities but it gave a chance for an argument that might appeal to Americans at home. The star case was the arrest and imprisonment of Henri Chauvet, the editor of *Le Nouvelliste*, the most prominent paper of Port-au-Prince, for publishing on November 22, 1918 an announcement of the impending recall

of the financial adviser, Mr. Ruan. This case was brought to the attention of the State Department which upheld the court. The amusing thing is that the guess was true.

The fact is that M. Chauvet was punished because he violated an explicit order of the Occupation and in such case we can hardly criticize the court, whatever our opinion as to the scope of the original order. Later on the press restrictions were removed and in 1921 there began a great campaign of abuse and vilification of everything American and of the Dartignenave government which would never have been tolerated by any previous Haitian régime. The president became much alarmed for his own safety. It was useless to take matters to the courts. The best people and some of the editors did not believe in it but were forced to keep silent or go along lest they be condemned as traitors. One of the leading officials wrote:

You will readily understand the position I have taken when you are made aware that the majority of the judges being opposed to the existing state of things, the government cannot, until the magistracy has been reformed, obtain from them the collaboration necessary to a good administration of justice. From a spirit of contradiction they will always condemn when a case is before them if they believe that those are the occasions in which they can hurt the government or the Occupation. In the same spirit, they, on the contrary, acquit murderers and robbers under the pretext that the prison régime is too severe under the control of the Gendarmerie, meaning in reality under the control of the Occupation.

On May 26, 1921 the following order was issued:

While the freedom of the press and of speech are practically unrestricted, articles or speeches that are of an incendiary nature or reflect adversely upon the United States forces in Haiti, or tend to stir up an agita-

tion against the United States officials who are aiding and supporting the constitutional government of Haiti, or articles or speeches attacking the President of Haiti or the Haitian Government are prohibited and offenders against this order will be brought to trial before a military tribunal.

For this action the commanding officer was thanked by the Haitian president. This was immediately tested by one of the papers which published an article with damaging words replaced by blanks. The editor was arrested and his lawyer tried to convince the court that only the Lord himself could know what the blanks represented. The court thought otherwise and a small penalty was imposed as a warning.

Public Works. Another source of irritation in connection with the Occupation was the taking over by the military officials of most of the public works, which remained in their hands practically till the end of 1917. Even after civilian Americans had been appointed in accordance with the Convention there was seemingly great unwillingness to turn over the control. It is difficult for the civilian to get at the exact situation which led to some of these moves or to pass judgment upon their wisdom. Beyond doubt they caused considerable irritation. For instance, the control of the ice-plant at Port-au-Prince, a German-owned enterprise, was taken over and as there was a shortage of ammonia during the War, all the ice for a time was taken for the hospitals, etc., and for the Occupation. Thus officers' families were supplied while American civilians as well as Haitians went without.

It was the Occupation as well which forced Haiti to take action against Germany and to sequester German property. That there was some reason for this action is clear when we remem-

ber that the Germans had large control over the business interests of the country. The point I wish to make is that such action would probably not have been taken by the Haitians, into whose prominent families many of the Germans had married.

The Marine Corps. A word is needed as to the personnel of the Marine Corps. The old standards of the Corp were high, both as regards men and officers. At first the Haitian clubs were opened to the officers, who attended the balls and parties, danced with the girls, and to all appearances enjoyed themselves. When the families, prohibited at first, began to arrive, not only did an American social group grow up, centering in the American Club, but a line of social cleavage was created because of the color prejudice. It must be confessed that not all of the Americans treated the natives with due respect and this attitude was resented, naturally enough. Moreover, it was galling to the Haitians to see Americans who had never had a servant at home putting on airs, raising the price of house rents by bidding for desirable houses, riding in automobiles on which they paid no duty and burning gas which they could buy at a little over twenty cents a gallon, while the civilian, native or foreign, was paying from seventy to eighty. Unfortunately, drunkenness was not unknown even on the part of high officials and their wives, while local standards were shocked by the sight of women in automobiles smoking in public. Although such things were infrequent, every incident was told and retold and helped to confirm the suspicion that little help could be expected.

While I saw no American official in the Cercle Bellevue in Port-au-Prince, at Cape Haitien the earlier relations existed in large measure. During the War, with the necessity of sending men

to France, many privates were made officers, particularly in the Gendarmerie. This caused much complaint, whatever the merits thereof. With the close of the War there came the enlistment of a group of young boys of decidedly inferior type to the older men. Both officers and older men commented on this and criticized the Washington government for sending such material to Haiti. This group is being weeded out and the later arrivals are of better stamp. It gives me pleasure to add that with very few exceptions I was very much pleased with the men I met, both officers and enlisted men.

To complete the picture I should add a word as to the location of the marines. Headquarters are at Port-au-Prince and here is stationed the largest body of men. There is a training camp at Mirabelais, thirty-two miles to the northeast, a camp at Las Cahobas, seventeen miles to the east, twenty miles north another company at Thommone. Further north companies are found at Hinche and Maissade, while the headquarters of the north are at Cape Haitien. In this way a large percentage of the men are kept out of the big cities and the average Haitian sees few marines save those with the Gendarmerie.

Atrocities. It has been necessary to give this outline of the history and policies of the Marine Corps before considering the charges of cruelty brought against the marines. There is no charge that any policy of deliberate cruelty has been adopted. All complaints are against individuals. Rumor is common; evidence is rare. The cases fall into several more or less clearly distinct types:

1. Drunkenness and accompanying disorders. Relatively common. The Commanding Officer told me that 90 per cent of his troubles with the men

were due to alcohol. Such disturbances have seldom been the cause of much actual abuse, but have led to fights. In some cases natives unwilling to furnish alcohol have been threatened by marines with guns. One such case came under my personal observation. In this, as in most others where facts became known, the guilty party was summarily and severely punished.

2. Sexual Assaults. Such have been perpetrated just as they were in France by Americans as well as by Germans. I chanced to be present when the first complaint in a case of rape of a young girl of ten or eleven was presented. In this case the man was proved guilty, later admitted guilt and pleaded insanity: he was sentenced to *fifty-one* years imprisonment on the combined counts. Severe punishment has always been meted out to such offenders.

3. Third degree methods to secure evidence. Admitted. The third degree is far from unknown either in Europe or America. To a considerable extent it must be admitted as justifiable under field conditions. That it can be abused and doubtless has been is evident, but it cannot be judged by parlor standards. It is amusing to find one American civilian taken on a patrol in Haiti becoming so exasperated at the obvious lies of a woman that he urged the officer in charge to more severe measures and then came home to write up the incident as an illustration of the cruelty of the marines, forgetting to tell his own part in the performance. Where life is involved human passions run high.

4. Deliberate striking, shooting, etc., of escaping prisoners and others. Such things seem to have occurred in some cases. Let a couple of illustrations suffice: A white man riding one day with Captain — saw him spur his horse between two women on way to market, knocking them down and

scattering their wares over the road. Then he rode off laughing. It is not surprising to find this man one of the six or seven officers generally accused of being guilty of criminal attacks. An American told me that an officer out after cacos met five men at a certain place, two of whom were in his, my informant's, employ. He asked them where the cacos were; through fear or ignorance they failed to answer. The officer then shot them all and on his return reported that he had been attacked by 150 cacos and had killed 5 of them. My informant may be wrong but he is sincere in his belief.

I fear we must admit that such things have happened. That is the belief of the best informed men I have met both in and out of the service, Haitians, Americans and Europeans. As a matter of fact, much as we may regret it, every well-informed man knows that they are to be expected. The real question is whether they were abnormally common and whether, when proved guilty, the offenders were punished. Prominent Haitians, French priests and other reliable persons have told me that these acts of cruelty were extremely rare and that more offenses would have occurred, by Haitians on Haitians, had there been no intervention. I fear that the emphasis laid on cruelty is because of the influence it may have in the United States rather than because of sympathy for the victims.

As regards the second point, I think the officials did not let the Haitians know the extent to which men were punished for offenses. The Haitians got the impression that guilty men were shielded. This I do not believe though it is possible that some cases were not investigated with sufficient care. I regret that more searching inquiry was not made in connection with the few officers accused.

The marines themselves are to blame

for some of the criticism heaped upon them. A certain type of man likes to brag of his exploits and of his wickedness. There has been a lot of this kind of thing where the basis of fact was extremely small. Certain investigators have been deceived in similar fashion. Some ex-service men seem to have tried to capitalize their alleged repentance. As I went about the country I tried to observe the attitude of the natives towards the marines. Nowhere did I detect signs of fear or of desire for revenge. On the contrary there was a feeling of respect, often of friendliness.

On the whole I feel that the men in the Marine Corps deserve our respect. We are too ready to believe that they change their character when away from home and among people of different color. I am not trying to dodge responsibility or shield crooks, but to

keep a balance in my verdict. We did much for the boys in France but absolutely nothing for those in Haiti. The fact is that there were many more acts of kindness than of cruelty. The good things have not been advertised to the world. Day after day I have talked with officers and men who are bending all their energies towards helping the Haitians. I have seen peasants going out of their way to call on and bring presents to men who had been stationed in their communities. The opposition to the marines is not all genuine and disinterested. The thief and grafter do not like interference. I suspect that behind all surface explanations lies the resentment against the uniform, the symbol of an outside force preserving order, the reflection upon the inability to control self, which hurts the Haitian's self-esteem. Here is the crux of the situation.

CHAPTER III

The Civil Side of the Intervention

IMMEDIATELY after the election of President Dartiguenave on August 12, 1915, steps were taken to secure a Convention which was signed in Haiti, September 16, ratified by the Chamber of Deputies, October 6, and by the Senate, November 11, 1915. Owing to delay in Washington the exchange of ratifications did not take place till May 3, 1916. In the interim, practical control of Haiti, of government funds and of municipal administration, was in the hands of the Occupation. Since that time the functions of the military have been reduced until now it does little more than "sit on the lid" and preserve order.

The Convention (which is printed in full at the end of this chapter) established a financial protectorate over

Haiti; it introduced a Financial Adviser of rather unique powers inasmuch as the Haitian Government agreed to put his suggestions into effect, and yet left the questions as to whom he was immediately responsible, and under what conditions he might be removed, vague, to say the least.

This treaty met with much opposition in Haiti but attracted no attention in the United States. Its intention is evident from its text and was plainly understood both by Haitians and Americans. The Haitians were so despondent over their situation and the future seemed so dark that they were willing to accept the help and protection of the United States, the sincerity of whose intentions they did not question, on any terms demanded. Natu-

rally they wanted as little interference with the local government as possible. It is also possible that they thought that later they might evade some of the promises made.

Subsequently some one, the military authorities get the credit, felt that control of telegraphs, telephones, light-house service, and postal service should be in American hands and a nasty dispute arose. In August, 1916, it was agreed that "the operation, management and maintenance of the telegraphs and telephones" should be put under the charge of the engineers nominated by the President of the United States. There have been other difficulties over the postal service and with reference to public education and control of municipal revenues.

The President. President Dartiguenave, taking office in August, 1915, elected for a period of seven years, at once found his position extremely difficult. He was desirous of pleasing the Americans, yet jealous of the rights of the Haitian Government. Many of the steps he took are sharply condemned as illegal by some Haitians, defended by others. Putting the worst possible construction on them, we find they are exactly what all other Haitian presidents have done. There has never been a free and untrammelled expression of public opinion. The group with longest purses and heaviest arms has always won, and the wishes of the governments have been accepted unless the opponents were strong enough to overthrow them. But rebels now had to deal with the American marines and the prospect was not alluring. Dartiguenave then remodeled the government somewhat. He proposed a new constitution which was adopted by popular vote and promulgated June 18, 1918.

The principal new features of this constitution are the land law, men-

tioned elsewhere, and a special article which ratifies the acts of the United States Government during the Occupation; protects Haitians from prosecution because of obedience to the orders of the Occupation; provides that acts of the court martials shall not be subject to revision, but without destroying the right to pardon; and ratifies the acts of the Haitian Government up to the time of promulgation. This constitution was rejected by the chambers and it is freely charged in Haiti that this action was brought about by money supplied by a few men with German connections.

At the time there was no criticism of the way the election of Dartiguenave was managed but latterly it has become the fashion to make all sorts of accusations against it. No proof has been offered so far as I know and the French priests who would have known the facts smile at the charges. Under Dartiguenave, the chambers have been dissolved and the government is carried on by the executive with a council of ministers. The President's enemies make much of this. The truth seems to be that Dartiguenave has done very well in a very trying position. He is a cultured man of long political experience. He has a keen appreciation of the dignity of his position. At times he has not been as strong perhaps as desirable, but he has reason to fear for his safety should any chance remove the Americans.

The first of the treaty officials arrived in Haiti in July, 1916. It is impossible to try to trace the history since in detail but a few points may be mentioned.

Receiver General. The Receiver General deserves much credit for the work of his office. His administration has been honest and efficient. Smuggling, avoidance of payment of customs, etc., formerly prevalent, have been

reduced to the vanishing point. He has enforced the law without fear or favor and has naturally made enemies. He is handicapped by having to administer an antiquated tariff schedule which the government has refused to change. Duties are figured in part in American money, in part in Haitian, both ad valorem and specific, and the figuring of duties is involved and tedious. The law requires absurd details as to invoices and fines for violation are frequent. He is criticized for having introduced non-Haitians in too great numbers. The business houses criticize him for the stringent application of the law in such fashion as to increase immediate returns, perhaps, but to check the future development of business. For instance the older custom seems to have been to charge duties on the basis of the metric pound of 500 gr., but the Receiver General states that the Haitian law prescribes the French pound of 489.50 gr., and charges accordingly. It is claimed that his office attempted to collect an extra duty on the five-gallon gasoline containers, asserting that they had a local market value of 20c, also on glass tumblers in which jellies were shipped.

Trade Handicaps. To show some of the handicaps under which merchants labor and to illustrate the need of change in the laws, not to criticize the present administration, I mention the following:

On two American scales for weights of 1,200 pounds the duty collected was 20 per cent ad valorem, or \$33, where the official schedule seems to call for a fixed duty of \$2.

Machines for agriculture or the preparation of the products of the country are duty free, but a merchant was forced to pay on an engine for running cotton press and coffee sorters 20 per cent ad valorem or \$355.21 in gold and 702.17 gourdes.

Any imported article sent abroad for repairs must pay an ad valorem duty on the repairs which may be greater than original duty on article.

One firm had to pay \$124.71 in gold and 277.11 gourdes for merchandise billed but never received. By the ruling of the department such goods delivered later must pay duty a second time, unless found in a Haitian port.

Fines have been paid in such cases as the following:

Because consular invoice did not state whether the woolen hats were for men or youths.

Because invoice did not say whether handkerchiefs were for head or pocket.

\$27.50 paid in duty on mixed candy instead of regular duty of \$3.31 due to mis-translation on invoice of the word candy as "confiture" instead of "bonbons."

Fine paid on padlocks because invoice did not state that they were of iron.

On lead pencils because invoice did not state "office."

On hosiery because invoice did not say they were for women.

On ink because color black was not stated.

Yet in each of these cases the declaration is said to have contained all the details required by the tariff.

There has been much trouble because of the custom of assimilating articles not specifically mentioned with those they most resemble and charging appropriate duty. It is claimed that the present administration has managed to change assimilations to increase cost. Thus the cloth known as "Prescott stripes" formerly put with nan-kinette is now put with "drill" with an increase of 100 per cent in duty. Italian colored cotton drill, formerly put with "drill," now is classified with "Toile de Vichy" and "Bazin" with an increase of 25 or 50 per cent in duty. Automobiles, formerly classified with vehicles, are now put on an ad valorem

basis with great increase in duty. Perhaps the funniest case is that of grape juice which, first imported some fifteen years ago and classified with wine, by the present administration was first taxed ad valorem, then as aerated water, and now as cider, resulting in a duty increase of 50 per cent and the stopping of the importation.

Similar complaints are made in great number by merchants all over the country. The importer is likely to feel that the lower rate should always apply; the executive is tempted in the other direction. Wise legislation should remove the uncertainty.

Financial Adviser. Two men have filled the position of Financial Adviser. Whatever their qualifications they have not impressed the Haitians favorably. The present Adviser has been absent from Haiti continuously for almost a year, drawing his salary and per diem expenses of \$15. That this should have been permitted is a reflection on the United States. It is obvious that his recommendations have not been accepted and the Haitians simply refuse to deal with him. One thing is certain and that is that one of the main purposes of the Convention, the determination of the validity of the internal debts, etc., has not been accomplished although six years have passed. Such a condition calls for immediate reform. Of course, many of the criticisms passed on the Adviser are childish. There has been much complaint because of the conversion of \$3,000,000 into francs, for the payment of interest on the foreign debt was made at the rate of 9 francs to the dollar, whereas, a little later, francs were quoted at 14 to the dollar. Just how the Financial Adviser was to know the future is not stated. Equally foolish is the complaint that he fixed the value of the gourde at 5 to a dollar whereas it was intended to be of equal value. Such critics should

consider the present price of the mark. Another suggestion, much condemned, with reference to the control of the importation of money will be considered in connection with the finances.

Engineers. For some reason there was considerable delay with reference to the engineers. Although the first chief engineer reported for duty in January, 1917, he had no assistants or employees and no funds until the end of the year. Until that time whatever work was done was in the charge of the Occupation.

Irrigation was turned over to the engineers in October, 1917; the streets and pavements of Port-au-Prince, in November, 1917. Management of the Haitian telephones and telegraphs was undertaken in February, 1918, and of the lines operated by the Gendarmerie in November, 1918. Roads and bridges were taken over in June, 1919; the water service of Port-au-Prince in April, 1919, of Cayes in April, 1920, of Gonaives, St. Marc and Cape Haitien, in September, 1920.

In Haiti practically every local need must be met from the national treasury. Yet the older law made really no provision for any constructive policy or proper maintenance of public utilities. Not until July, 1920, was an adequate law secured. This organized a corps of Haitian engineers under the chief engineer and put under the control of the chief engineer the construction, maintenance and repair of public utilities, the operation of telegraphs and telephones, the water services of the towns and communes, irrigation projects, the supervision of the engineering works of the communes and the supervision of all concessions, including mines, quarries and power installations. Practically all the public works were found to be in bad repair, owing to neglect, and repair bills have been high and will be for some time. The

money available has been very inadequate. For the three years ending October 1, 1920, \$744,000 had been spent for the repair and maintenance of the public works in all of Haiti and \$625,000 on new construction. The total length of roads is about 750 miles but the sum available for maintenance and repair is only \$13,000 a month. Many repairs have been made and some important surveys and plans. In coöperation with the United States Geological Survey, the work of triangulation for the entire country has been started. Taking all into consideration, the work of the engineers has been very satisfactory and few complaints are made. The only one of any merit coming to my ears was the result of an early decision to replace the old telephone system of Port-au-Prince, which was very poor, with an automatic system estimated to cost some \$40,000 (which will cost much more in reality). So little use is made by the native of the telephone that he looks on this expense as made for the benefit of the foreigner. One or two schoolhouses have been built and many repairs made.

On the arrival of the Occupation there were practically no roads for wheeled vehicles in the country. As a military measure the old French road from the Cape to Port-au-Prince was rebuilt and was thrown open December 1, 1917. On January 5, 1918, the President with other officials, officers of the marines and newspaper men, made the journey from Port-au-Prince to Cape Haitien. This road and the others constructed are dirt roads. There are practically no bridges so streams must be forded. The Limbé River near Cape Haitien is a serious obstacle and in high water cannot be crossed. It has brought a new source of revenue to the natives who have come to demand American prices for pulling cars across. Depending upon the weather, for in the

rainy season some of the dirt roads cannot be travelled by automobiles, one can go from Cayes or Jacmel to Cape Haitien and on to Ouanaminté on the Dominican border whence a road leads to Monte Cristi. The road question is difficult because of the high construction cost of permanent roads. However, a very creditable beginning has been made.

American Representatives. To summarize, there are in Haiti today, representing the United States, the following: 1. The military force. 2. The officers of the Gendarmerie. 3. The Receiver General and assistants. 4. The Financial Adviser. 5. Engineers and medical men. 6. Diplomatic and consular officials.

Keep in mind that the overwhelming majority of the Haitians are frightfully ignorant and wholly occupied in getting the necessities of life, accustomed to obey their leaders without question. Keep in mind also the fact that there is no real middle class. Keep in mind the further fact that a very considerable proportion of the educated classes have been occupied either in staying in office, or displacing those in power that they might get in, and it becomes possible to consider the reaction of the Haitians to the working of the Convention.

It is claimed by the American officials on the ground that, almost from the first, much of the activity of the government has been to defeat the purposes of the Convention. As evidence of this is offered the refusal of the government to accept certain proposals made to it. On November 5, 1918, the United States recommended the adoption of the plan of the Financial Adviser to create a Bureau of Internal Revenue and to establish: (1) Taxes upon certain manufactured articles, liquor, patent medicine, perfumery, tobacco, matches. (2) A poll tax. (3) Documentary tax,

(4) Business and Occupation tax. (5) Tax on rentals of government land and water rights. This was firmly refused.

Land Ownership. Reference has already been made to a change in the constitution of 1918 permitting foreigners to own land. The old constitution read: "No one, unless he is a Haitian, may be a holder of land, regardless of what his title may be, nor acquire any real estate." As a matter of fact this law was circumvented by a mortgage scheme but that did not change the law. The constitution of 1918 reads: "The right to hold property is given to foreigners residing in Haiti and to societies formed by foreigners, for dwelling purposes and for agricultural, commercial, industrial or educational enterprises. This right shall terminate five years after the foreigner shall have ceased to reside in the country, or when the activities of these companies shall have ceased." About July, 1920, a decree was promulgated practically rescinding this provision and giving foreign owners until about the first of July, 1921, to dispose of their holdings. Meantime, some foreigners had converted their old mortgage holding under the new constitutional provision and some foreign corporations had bought a great deal of land for agricultural purposes and had invested large sums of money. In the spring of 1921 a tenant of a foreign owner refused to pay rent for the premises he occupied. The lower court, ignoring the constitution of 1918, based its decision on the old constitution and decided in favor of the tenant. If this decision is upheld or the decree is put in force serious international complications will ensue.

To cite other recent cases: The Receiver General found that certain customs papers were understamped. Investigation at the bank revealed that one clerk alone had charge of this

matter, without assistance, and that understamping had occurred. The court instantly discharged the accused man and compelled the bank to pay his salary in full, even after he was out of the bank. The lawyer of the bank advised payment. In 1918 a native under arrest killed his guard, a gendarme, and escaped. He was recaptured but acquitted. The agent of the Haitian Government said that there was no doubt of his guilt but that no jury would convict in a case involving a gendarme; that is, an official who was looked upon as an agent of the Americans. These cases indicate the unwillingness of the courts to cooperate with the Americans.

Anti-American Agitation. Attention has been called to the necessity of stopping the newspaper agitation in the summer of 1921. This had stirred up so much antagonism that at a public celebration one orator suggested that the statue of Dessalines looked towards the sea and indicated plainly that the Americans might go in that direction. A younger and less subtle man almost openly advocated the resort to force to drive out the invader. It was rumored in Port-au-Prince that a plot to assassinate the President had been made. The President is unpopular because he has drawn a good salary (\$24,000 a year) and because it is felt that he has not always opposed the Americans.

Let me quote as follows from a letter from one of the ablest Haitians I met:

If some difficulties have come between the two governments the cause is that the Haitian Government was not frank enough. The President of Haiti should have frankly accepted the help of the American forces. By obliging Haiti to live orderly he would have been permitted to inaugurate in Haiti all the reforms of which the country is in need and which could never have been attempted. Instead of that he showed himself to the Haitian people as if he were

crucified on a cross. On the other hand, he seemed to have an air of accepting all the American views, discussing them with Americans, but only in order better to deceive them. The result of this sad system did not have to be waited for long. On one side the Haitian people, encouraged by the President to continue their political cliques, their disorderly designs, resisted by every means. On the other side, the American officials flouted by the government kept themselves on guard because distrustful. The relations instead of becoming cordial and sincere began to be difficult and became tense. The country's interests are harmed. . . . When then will stop the treason and the revenge? An agitation cleverly led by the city cacos has begun. The politicians, who are in search of power and who believe that the days have come back when as masters they can pillage the public cash box, have accused the Occupation. They want, under the pretext of defending the rights of the people, to make them rise up and try once more to get a hold of power.

This letter indicates what I know to be true, namely, that the campaign against the Americans is not wholly disinterested and that it is not in accord with the opinion of some able Haitians. Aside from the newspaper agitation which many Haitians disliked, including the editors of at least one prominent paper, the anti-American, or "patriotic feeling," as they prefer to call it, has found expression in the "Patriotic Union" founded, I believe, in 1920, which includes many prominent men. This organization raised a fund and sent three representatives to Washington in the spring of 1921. Their memoir, published in *The Nation*, New York, May 25, 1921, may be accepted as the strongest presentation of the criticisms of the Haitians. Of this memoir, I will let one of the most prominent living Haitians speak. I chanced to be talking with him shortly after its publication. He asked me if I had seen it and proceeded to point out

certain serious errors. I asked him if the delegates knew the facts he stated. He said in substance: "Of course. They are trying to deceive the American public."

I think it evident that a condition of stale-mate has been reached in the relations of the United States and Haiti, which is injurious to the prestige and good name of the former and militates against the welfare of the latter. This impasse is the more serious when we recall that the term of President Dartiguenave is nearly over and that a new president will be inaugurated on May 15. Some betterment of the situation should be sought at once.

Evidence from another side is offered by the fact that Haitian officials still persist in the old system of graft wherever possible. Some opportunities still remain in spite of the efforts of the Americans. A magistrate at E—— barbecued three cattle and gave a big feast. Later it appeared that he had stolen the cattle and that he had also been guilty of other thefts. In addition he had charged a fee of thirty gourdes which he divided with a gendarme corporal for permitting a Voodoo dance that he had no right to condone, for the dance is prohibited by law. Though he was removed from office he exercised enough influence to avoid criminal prosecution, being released by the Commissar of the government. In the budget of the town of P—— there has been a regular appropriation paid of 5,000 gourdes for street lights but the Americans have been unable to locate the lights.

At Port-au-Prince, after a disastrous fire in the spring of 1921 the business men raised a fund and insisted that the government put the fire department under the Gendarmerie. This was finally done and an American fireman who had been brought down sometime before, but whose services had been refused, was put in charge. About

June 1 it appeared that the funds appropriated by the commune, ranging from one to two thousand gourdes a month had been embezzled, or otherwise secreted. Theoretically there were fourteen paid firemen but some had been unpaid for upwards of two years. There were two steam fire engines, both in such bad order that one to two hours was required to get up steam, two chemical engines without equipment or chemicals, a Ford car for the chief with one wheel gone and no tires, no supply of fuel, no ladders, hatchets or axes; but there were some brass helmets and red shirts. The firemen are now paid about \$15 a month and regular drills have been established. Steam can now be had in fifteen or twenty minutes. The new chief put out the first fire reported, with chemicals, reaching the house one minute after the alarm was received, and for his reward the papers published the story that it was a fake fire arranged for his benefit.

Migration to Cuba. What is considered by some Haitians to be the biggest graft in the history of the country has grown up in connection with the migration of the Haitians to Cuba to work on sugar plantations, which became important during the War. Thousands have gone, chiefly from the southwestern peninsula and the northern coast. Several plans have been adopted which need not be described here. All migrants must have passports to which photographs are attached. As photographs are not easily available it is said that the Department of the Interior has a number of pictures on hand which are affixed to the papers, as the only check kept is on the number of emigrants, no comparison being made of the men with the photographs. The passports cost one dollar, but a fee of \$2 extra is paid to facilitate their issuance, while a local official gets two dollars for tending to

the signature. The captain of the boat must pay to the Haitian consul in Cuba two dollars for each person, one dollar of which is supposed to be used for the upkeep of the consulate, the other to be turned over to the Haitian treasury; but I understand that in 1920 nothing was received by the treasury, the Haitian consul by a scheme known as "boxes of cigars" having divided his receipts with the *proper person* in Port-au-Prince. This consul in Cuba also visits the factories from time to time on the pretext of supervising the living conditions, at which times he expects to receive checks of from \$500 to \$1,000 to enable him to make a favorable report. These visits are known as "cleaning up the neighborhood" (*refraichissement de lisere*). (A new consul was sent to Cuba in the summer of 1921 from whom better things are expected.) Meantime the laborers, having no such sums of money, sign notes bearing high rates of interest, pay as much as \$500 at times before they are out of debt, agree to remain several years and are carefully watched. The money is generally deducted from their wages. Further, the factory or plantation is said to underweigh the cane they cut to enable it to meet the extra overhead expenses. It is a disguised slave trade and illustrates the tender interest of Haitian officials in the welfare of their poorer neighbors. It must be admitted that with the war-wages received in Cuba the workers were better off than they would have been at home.

Present Situation. I have tried to point out the chief measures undertaken by the Americans and some of the difficulties they have encountered. I think I have made it plain that the fault of the present situation is not wholly on either side. Local residents, both native and foreign, complain that there has often been a lack of tact and

courtesy on the part of American officials, arbitrary actions and decisions, refusals to take advice or be guided by more experienced men. This criticism is not limited to the military men. Some say that it is due to the number of southerners sent down, but my observation does not confirm this. Some of the complaints are humorous, as in the case at C— where an official, after a heavy flood, waded through the streets barefooted with trousers rolled up to his knees. The natives said he did it to show his contempt for them, whereas such a thought never entered his head.

More serious, however, is the case of a civilian official who, finding some material which he wanted to use in the possession of a private firm, peremptorily demanded it. On being refused he said he would send marines to seize it and it is alleged that he applied to the commanding officer, only to be told not to be such a fool. Another official tried to refuse service of papers guaranteeing the wages of a servant, as if he were immune to the law. Such incidents have left bad impressions. Other men have lost esteem by trying to bid for the favor of the natives. A market woman tried to compel a French lady to buy a certain piece of meat and finally threw it in her basket, whence it was removed. The dealer called a gendarme whom she knew. He seized and shook the French lady who demanded to be taken to police headquarters to file a complaint. The young officer who heard the story dismissed the gendarme saying it was evidently a case of "fifty-fifty." This officer is said to have been living with a native girl at the time. Later he tried to apologize. On the other hand, many men have gained the thorough respect of all by their courtesy and willingness to hear complaints before making decisions.

CONVENTION OF THE UNITED STATES AND THE REPUBLIC OF HAITI, 1915

PREAMBLE: The United States and the Republic of Haiti desiring to confirm and strengthen the amity existing between them by the most cordial coöperation in measures for their common advantage, and the Republic of Haiti desiring to remedy the present condition of its revenues and finances, to maintain the tranquillity of the Republic, to carry out plans for the economic development and prosperity of the Republic and its people, and the United States being in full sympathy with all of these aims and objects and desiring to contribute in all proper ways to their accomplishment:

The United States and the Republic of Haiti have resolved to conclude a convention with these objects in view, and have appointed for that purpose, plenipotentiaries:

The President of the Republic of Haiti, Mr. Louis Borno, Secretary of State of Foreign Affairs and Public Instruction,

The President of the United States, Mr. Robert Beale Davis, Junior, Charge d'Affaires of the United States of America,

Who, having exhibited to each other their respective powers, which are seen to be in good and true form, have agreed as follows:

ARTICLE I. The Government of the United States will by its good offices, aid the Haitian Government in the proper and efficient development of its agricultural, mineral and commercial resources and in the establishment of the finances of Haiti on a firm and solid basis.

ARTICLE II. The President of Haiti shall appoint, upon nomination by the President of the United States, a General Receiver, and such aids and employes as may be necessary, who shall collect, receive and apply all customs duties on imports and exports accruing at the several customs houses and ports of entry of the Republic of Haiti.

The President of Haiti shall appoint, upon nomination by the President of the United States, a Financial Adviser, who shall be an officer attached to the Ministry of Finance, to give effect to whose proposals and labors, the Minister will lend efficient

aid. The Financial Adviser shall devise an adequate system of public accounting, aid in increasing the revenues and adjusting them to the expenses, inquire into the validity of the debts of the Republic, enlighten both governments with reference to all eventual debts, recommend improved methods of collecting and applying the revenues, and make such other recommendations to the Minister of Finance as may be deemed necessary for the welfare and prosperity of Haiti.

ARTICLE III. The Government of the Republic of Haiti will provide by law or appropriate decrees for the payment of all customs duties to the General Receiver, and will extend to the Receivership and to the Financial Adviser all needful aid and full protection in the execution of the powers conferred and duties imposed herein; and the United States on its part will extend like aid and protection.

ARTICLE IV. Upon the appointment of the Financial Adviser, the Government of the Republic of Haiti, in coöperation with the Financial Adviser, shall collate, classify, arrange and make full statement of all the debts of the Republic; the amounts, character, maturity and condition thereof, and the interest accruing and the sinking fund requisite to their final discharge.

ARTICLE V. All sums collected and received by the General Receiver shall be applied first to the payment of the salaries and allowances of the General Receiver, his assistants and employes and expenses of the Receivership, including the salary and expenses of the Financial Adviser, which salaries will be determined by previous agreement; second, to the interest and sinking fund of the public debt of the Republic of Haiti; and, third, to the maintenance of the constabulary referred to in Article X, and then the remainder to the Haitian Government for the purposes of current expenses.

In making these applications the General Receiver will proceed to pay salaries and allowances monthly and expenses as they arise, and on the first day of each calendar month, will set aside in a separate fund the quantum of the collection and receipts of the previous month.

ARTICLE VI. The expenses of the Receivership, including salaries and allowance of the General Receiver, his assistants and employes, and the salary and expenses of the Financial Adviser, shall not exceed five per centum of the collection and receipts from customs duties, unless by agreement by the two governments.

ARTICLE VII. The General Receiver shall make monthly reports of all collections, receipts and disbursements to the appropriate officers of the Republic of Haiti and to the Department of State of the United States, which reports shall be open to inspection and verification at all times by the appropriate authorities of each of the said governments.

ARTICLE VIII. The Republic of Haiti shall not increase its public debt, except by previous agreement with the President of the United States and shall not contract any debt or assume any financial obligation unless the ordinary revenues of the Republic available for that purpose, after defraying the expenses of the government, shall be adequate to pay the interest and provide a sinking fund for the final discharge of such debt.

ARTICLE IX. The Republic of Haiti will not, without a previous agreement with the President of the United States, modify the customs duties in a manner to reduce the revenues therefrom; and in order that the revenues of the Republic may be adequate to meet the public debt and the expenses of the government, to preserve tranquillity and to promote material prosperity, the Republic of Haiti will coöperate with the Financial Adviser in his recommendations for improvements in the methods of collecting and disbursing the revenues and for new sources of needed income.

ARTICLE X. The Haitian Government obligates itself for the preservation of domestic peace, the security of individual rights and the full observance of the provisions of this treaty, to create without delay an efficient constabulary, urban and rural, composed of native Haitians. This constabulary shall be organized and officered by Americans appointed by the President of Haiti, upon nomination by the President of the United States. The Haitian Government shall clothe these officers with the

proper and necessary authority and uphold them in the performance of their functions. These officers will be replaced by Haitians as they by examination conducted under direction of a board to be selected by the senior American officer of this constabulary, in the presence of a representative of the Haitian Government, have supervision and control of arms and ammunition, military supplies, and traffic therein, throughout the country. The high contracting parties agree that the stipulations in this article are necessary to prevent factional strife and disturbances.

ARTICLE XI. The Government of Haiti agrees not to surrender any of this territory of the Republic of Haiti by sale, lease or otherwise, or jurisdiction over such territory, to any foreign government or power, nor to enter into any treaty or contract with any foreign power or powers that will impair or tend to impair the independence of Haiti.

ARTICLE XII. The Haitian Government agrees to execute with the United States a protocol for the settlement by arbitration or otherwise, of all pending pecuniary claims of foreign corporations, companies, citizens or subjects against Haiti.

ARTICLE XIII. The Republic of Haiti, being desirous to further the development of its natural resources, agrees to undertake and execute such measures as in the opinion of the High Contracting Parties, may be necessary for the sanitation and public improvement of the Republic, under the supervision and direction of an engineer or engineers, to be appointed by the President of Haiti upon nomination of the President

of the United States, and authorized for that purpose by the Government of Haiti.

ARTICLE XIV. The High Contracting Parties shall have authority to take such steps as may be necessary to assure the complete attainment of any of the objects comprehended in this treaty; and should the necessity occur, the United States will lend an efficient aid for the preservation of Haitian independence and the maintaining of a government adequate for the protection of life, property and individual liberty.

ARTICLE XV. The present treaty shall be approved and ratified by the High Contracting Parties in conformity with their respective laws, and the ratification thereof shall be exchanged in the City of Washington as soon as may be possible.

ARTICLE XVI. The present treaty shall remain in full force and virtue for the term of ten years, to be counted from the day of the exchange of ratifications, and further for another term of ten years if, for specific reasons presented by either of the High Contracting Parties, the purpose of this treaty has not been fully accomplished.

In faith whereof, the respective plenipotentiaries have signed the present Convention in duplicate, in the English and French languages, and have hereunto affixed their seals.

Done at Port-au-Prince (Haiti) the sixteenth day of September in the year of our Lord one thousand nine hundred and fifteen.

The treaty has since been extended (1917) to cover the second period of ten years provided for in Article XVI.

CHAPTER IV

The Financial Problem of Haiti

THE treasury of Haiti is in a deplorable condition. The country is, and long has been, practically bankrupt. Under normal conditions the income should be adequate to meet the necessary expenses of a well-con-

ducted government, but Haiti has not been well conducted and its finances have been handled in reckless fashion. It was saddled at the very beginning of its existence, as the price of French recognition, with a debt of 150,000,000

francs (the sum demanded by King Charles Fifth in 1825, of which 30,000,000 was paid, and the balance of which under Louis Phillippe in 1838 was reduced to 60,000,000 francs). Revolution followed revolution. The government borrowed money at ruinous rates to fight the revolutionists; the latter borrowed with promises to repay out of the national treasury if successful. The merchants, French at first, German later, took the risk and reaped rich rewards. Internal claims piled up. The payment of the loans made impossible oftentimes the payments of salaries, and claims therefor were bought up by speculators, payment assured if they had friends at court. Foreign merchants openly encouraged the pillaging of their warehouses during revolutions, knowing that the government would be forced later to make handsome amends. Meantime the government was being robbed by its officials and merchants took advantage of their venality to dodge customs duties. Today it is impossible to state just what the outstanding obligations of the government are, for there are some important unsettled claims. Roughly speaking, the situation as of December 31, 1920 is as follows:

To this sum must be added the floating debt, many unpaid salary vouchers, the guaranty to the railroads, and miscellaneous claims whose total I cannot estimate but which the delegates of the Union Patriotique seem to place at \$4,420,920.

The loan of 1875 bore 8 per cent interest at first. The interest was irregularly paid and in 1880 and 1885 readjustments were necessary. It is secured by a duty of 33 $\frac{1}{3}$ c on each hundred pounds of coffee exported.

The loan of 1896 was arranged with the National Bank of Haiti. Bonds with a face value of 500 francs were issued at 400 to the bank, which sold them to the public at 450. Some of the bonds were reserved by the government and issued on the basis of a 500 franc bond for each 400 of certain existing internal and floating obligations, some of which were bearing 18 per cent interest. This interest is secured by a tax of \$1.20 on each hundred pounds of coffee exported.

The loan of 1910 was contracted with the Bank of the Parisian Union, Paris, Messrs. Hallgarten, & Company, Messrs. Ladenburg, Thalmann & Company, of New York, and the Berliner Haendelsgesellschaft of Berlin. The

FINANCIAL SITUATION OF HAITI, DECEMBER 31, 1920

FOREIGN LOANS			
1875	5%	19,252,500 francs	Interest paid to date
1896	6%	37,638,500 "	" " "
1910	5%	61,576,500 "	" " "
		118,467,500 "	
At par			\$23,233,500
At present price of francs (12.5 per \$1.00)			\$9,477,400
INTERIOR DEBT			
Principal			\$7,839,176
Interest due			1,380,712
Total			\$9,219,888
Total debt at present price of francs			\$18,697,288
Deducting paper money which is secured (gourdes 4,057,972)			811,594
Net total			\$17,885,694

loan was for 65,000,000 francs. The banks paid 47,000,000 francs (72.3 per cent of face value) or 361.50 for each 500 franc bond which was offered to the public at 442.50. It is reported that the banks paid 5,000,000 francs to the Haitian officials who signed the contract. Interest on this loan is secured by a tax of \$1.00 on each hundred pounds of coffee exported, and a surcharge of 15 per cent on import duties.

The Paris prices for these bonds have been as follows:

	1875	1896	1910
	300 fr. 5%	500 fr. 6%	500 fr. 5%
1912.....	240-278	500-524	440-475
1914.....	218-258	475-516	395-447
1916.....	235-261	455-508	353-434

Internal Loans. The internal loans are as follows:

1912. Authorized by law of 1911 to pay debts incurred by revolution which put LeConte in power. Face value \$674,000, bearing 6 per cent interest. Sold to public at 89 (included 500,000 gourdes set aside for the account of the generals). Secured by 5 per cent of the gold surtax on imports.

1913. Authorized by law, June 15, 1913. For current expenses, reconstruction of some public buildings and relief of fire sufferers. Face value of bonds to be \$609,902 with interest at 6½ per cent. Offered nominally at 94 but real yield was 78.8 because gourdes were accepted at 3.5 to the dollar whereas the exchange at that time was 4.17 to a dollar. Secured by 5 per cent of gold surtax on imports.

1914 A. Authorized by law, May 29, 1914, to pay debt for revolution which put Zamor in office and included 400,000 gourdes for soldiers. Bonds to total 724,000 with interest at 6½ per cent and sold at 80 but gourdes were accepted at 3.5 per dollar whereas exchange was 4.72, thus making bonds net 59.4. The government secured about 2,000,000 gourdes. If loan were refunded today at face value it would cost 3,620,000 gourdes. Secured by 5 per cent of gold surtax on imports.

1914 B. Issued by Zamor for "extraordinary expenses." Face value bonds 1,500,000 gourdes. Interest 6½ per cent. Gourdes again accepted at rate of 3.5 whereas price was now 5 to a dollar. Issue nominally sold at 80 so real return to government was 56. Secured by part of import duty on tobacco seemingly already pledged for construction of schoolhouses.

1914 C. Issued by Zamor on account "extraordinary expenses" caused by revolution. Total, 1,200,000 gourdes bearing interest at 6½ per cent. Secured by 5 per cent of the surtax on importation and by

export tax of .05c on each hundred pounds of coffee exported.

1914 Consolidated Debt. Law sanctioned November 30, 1915, after intervention. Gold bonds bearing 6 per cent to be exchanged for outstanding obligations dating from 1899 to 1911 for salaries, pensions, etc. Amount outstanding about, \$1,111,284. No specific security pledge.

Railroad Accounts. These are the principal outstanding internal obligations. Among the unsettled accounts are those of the railroads. The National Railroad of Haiti received a concession to build a road from Cape Haitien to Port-au-Prince in 1907. The first section was completed in 1912. The bonds outstanding appear to be \$3,544,548 and interest was paid to 1914. The government agreed to pay deficit if profits were less than 6 per cent plus 1 per cent for sinking fund. I have no late figures but in March, 1919, the deficit was \$1,050,000. This is an American corporation with some \$2,500,000 of bonds held in France. The French Government has pressed for settlement. The railroad also has claims for damages done by revolutionists.

The Central Railroad of Haiti took over in 1909 a road organized by German Haitians in 1900. It has lines near Port-au-Prince. Nominally at least, it is now an American corporation. The government guaranteed 6 per cent interest on \$688,000 of a total capital of \$760,000. Payments were made to 1915 but none since. The railroad claims that the government agreed to cover operating deficits.

No payment, save a partial payment in 1916 on the internal debts has been made under the Financial Adviser and the affectation of specific revenues to be used for this purpose has for some unexplained reason been entirely disregarded. This has caused serious hardship to many of the bond holders for in a country like Haiti the government bonds are almost the only relatively safe investment a man of small means can make.

The income of the government is almost wholly derived from the customs duties, the internal revenue in 1919-20 yielding only \$373,675. Because of the local disturbances, followed by the World War these have fluctuated greatly. In 1911-12 under one of the best presidents the country has had the customs receipts were \$6,324,659; but in the year of disturbance of 1913-14 they fell to \$1,103,849. Since that date there has been a considerable increase. In 1918-19, \$5,728,722 was collected and in 1919-20, \$6,414,605. In the year 1918-19, the duty on imports amounted to \$2,425,408; on exports, to \$3,302,174; and of this sum considerably over \$2,000,000 was the duty on coffee exported. The export duty on coffee yields about one-third of the total government income. The \$3 per hundred pounds exported is affected (pledged) as follows:

External loans	\$2.53
Internal "05
Subsidies "05
Loans for local improvements18
	<hr/>
	\$2.81
Leaving for government18
	<hr/>
Total	\$3.00

In 1919-20 the tax on imports yielded 52 per cent of the total revenue: on exports, 42 per cent and the internal revenue 6 per cent. A very considerable part of the receipts from customs is definitely pledged as indicated above, and the remainder is not adequate for the maintenance of the government and the development and construction of roads, bridges, wharves, etc. If we estimate the total revenue at \$6,000,000 about \$3,500,000 is required to meet the obligations of the debt. The collections for the first six months of 1920-21 were only about half of those of the corresponding period of the preceding year. It is, therefore, a matter of paramount importance that the exact debt be determined and improper claims disallowed, as a preliminary to a much needed reform in taxation. In view of the large amount of the bonds of Haiti which are held in Europe it would be greatly to her profit could advantage be taken of present exchange rates.

Currency. The monetary unit in Haiti is the gourde of 100 centimes which was intended to have a par value of 96 cents. Just prior to the intervention the gourde had been subject to violent changes and at one time had fallen to two cents, later advancing to about 20c, a figure which was accepted by the incoming forces and fixed as the rate of exchange. It has been kept at that figure ever since. There are no gold or silver coins but there is a token currency of bronze and nickel. Disregarding the earlier period there have been since 1884 frequent issues of paper money.

One usually sees bills of one or two gourdes. There is no security for the coin but the credit of the government, but through an arrangement with the bank the paper money is protected. The government paper money is being withdrawn and replaced by bank notes. In normal times the circulation in gourdes is about 12,000,000; in nickle, 7,000,000; or in American money, \$3,800,000. This is all needed at the height of the crop season but flows to the banks in the dead season. As roads and transportation facilities, as well as banks, have been almost nonexistent, the transfer of money has been difficult and local exchange rates have been very high. There has resulted, therefore, particularly during the period prior to the intervention, much speculation in the currency which has been a great source of profit to the merchants and some others but for which the poor man has paid. The reports of the Haitian Government will show this to anyone who cares to read them. In recent years a large amount of American money has circulated in the island and is accepted everywhere.

The Banque Nationale. Every community has its scapegoat on which the collective sins may be laid and which everyone is at liberty to curse. In Haiti this rôle is played by the Banque Nationale as it is universally called. Incidentally it functions as the treasury of Haiti and the chief interest of good citizens everywhere is to put as little as possible into the treasury and to get as much out as possible. The greatest check to the misuse of public money in Haiti has been the curious idea of the bank that money must be used according to contract. Naturally the politicians have not loved it.

In 1881 a charter was given to a French company under the title, Banque Nationale d'Haiti. In the early years of this century at least four

of the employees of the bank, two German, two French, forgot these obligations and combined with a number of very prominent Haitians to get a little spending money. The result was the "consolidation scandal" and the reorganization of the bank. The Germans demanded a large part in the reorganization and objected to the inclusion of Americans but the French, holding control, insisted on American participation. The reorganization was affected in 1910 under the title Banque Nationale de la Republique d'Haiti, and the bank remained a French concern, the Germans having to be satisfied with the allotment of about 2,500 shares to the Disconto Gesellschaft out of a total of 40,000 shares. Some 6,000 shares were held in New York by three firms of close German affiliations. At the outbreak of the War the Germans on the Board of Directors resigned and their interests were taken over by the National City Bank, which had purchased some 2,000 shares about 1911.

Shortly thereafter the French arranged with the National City Bank for the taking over of the management. In February, 1920, arrangements were made to buy the French stock and to apply for a new charter to be granted the National City Bank. The bank is still operated under the French charter as the Haitian Government has as yet refused to transfer it. The director at Port-au-Prince has never been an American, though the assistant director is. The present director is an Italian; his predecessor was a Frenchman. The Americans had nothing to do with the privileges granted the bank by its charter, or with the obligations laid upon it.

In making the loan of 1910 the Haitian Government agreed that the money pledged for its security should be handled by the Banque Nationale and that 10,000,000 francs of this loan

should be devoted toward the retirement of all the then issued paper and nickel money. This agreed with the charter given the bank which made it a bank of issue, the government agreeing to withdraw its paper. This charter also made the bank the collector and disbursing officer of the moneys of the government and as such it was functioning when the Occupation took place. The bank had entered into the most solemn pledges not to permit funds to be used except for the specific purposes provided in the laws. From 1911 to 1915 several efforts were made by the parties that chanced to be in power to get hold of these trust funds and divert them to other channels.

In 1914 under Zamor a law was passed suspending the retirement of paper money, the money thus secured to be used for "current expenses." The bank on the advice of its Haitian lawyers refused to recognize this law or pay out the money except as pledged.

The \$500,000 Transfer. Theodore replaced Zamor in November and managed to stay in power about three months. Being in desperate need of money he determined to get some of the funds he knew were being held at the bank under the convention of 1910. But his necessities were just as well known to the local officials of the bank who took the precaution to advise the New York office of their fears. They were told to prepare the money for shipment to New York. Then the New York office was advised that the Port-au-Prince bank did not dare try to move the money from the vaults lest it be seized en route. Here the United States was asked to lend its help and the *S. S. Machias* was sent for the money. The Haitian Government demanded the money. The French director, thoroughly frightened, wanted to yield, but a young American assistant shut the vault and defied the

officials. Crowds filled the streets. The French manager fled to the French legation. Just then, December 17, 1914, the *Machias* arrived and the marines loaded some \$500,000 on board and took it to New York where it was placed on deposit, drawing interest until 1919. At that time a monetary reform agreement was executed between the government of Haiti and the bank, the first article of which read—"The bank will bring to Haiti and keep on deposit to the credit of an account which shall be known under the name of 'retirement fund' the balance of the 10,000,000 francs of the loan of 1910, including the \$500,000 transported to New York in December, 1914, increased by interest at the rate of 2 per cent per annum on that sum from December, 1914 to December, 1918." This sum with other sums accumulated in trust funds, amounting in all to \$1,735,664.89, was to be used to retire the outstanding paper money estimated at 8,877,972 gourdes at the rate of five gourdes to one dollar. This was done.

This is the true story of the transfer of which the delegates of the "Union Patriotique" (see New York, *Nation*, May 25, 1921) said that the purpose was "in order to force the Haitian Government to accept the control of the custom houses by systematically depriving it of financial resources." And later, "This amount is still in the United States." Now these facts are not unknown in Haiti and must have been known to the writers of the *Memoir*, or else they remind us of the story of a little girl sent to an institution to have a mental test. The psychologist reported that she was backward, but not feeble-minded. Seeing her at home again, a playmate said: "Jennie was sent to an idiot asylum but couldn't pass the entrance examination and was sent back home." The fact is that the courage of one

young man prevented the Haitian Government from violating its solemn pledge. Incidentally the most prominent Haitian lawyers supported the stand taken by the bank.

Struggle for Bank Charter. The alleged reason for the refusal of Haiti to transfer the charter of the bank to the City National Bank was the insistence of the United States Government upon a clause to read: "To avoid the possibility of any currency crisis during the period of retirement of paper money and as long as such retirement shall be in process the government obligates itself to prohibit the importation and exportation of non-Haitian money except that which might be necessary for the needs of commerce in the opinion of the Financial Adviser." I am informed that this suggestion was considered at a meeting in Washington attended by representatives of the State Department, by bankers from different parts of the country and by the French representative, M. Casenave, and agreed on as necessary.

The true reason is that the Banque Nationale has agreed to issue bank notes to replace the government paper money and has agreed to keep these gourdes at a rate of five to one dollar. A combination of hostile bankers or speculators free to import United States gold might influence the exchange and make it impossible to keep this rate. No exception was made of the Banque Nationale which was affected by this law as well as the other banks. A violent opposition broke out in Haiti led by the local representatives of the Royal Bank of Canada and many protests were made, signed by some American business houses including the American Foreign Banking Corporation. The reason given for the opposition was that it would give the Banque Nationale a monopoly of importation and exportation and force the other

institutions to buy exchange at any rates it might fix. The bank, however, was ready to establish a fixed rate so this argument does not hold.

Inasmuch as the Financial Adviser had control and not the Banque, this objection could hold only on the assumption of improper collusion between the Banque and the Adviser. Some of the American business men and the British Minister later stated that they signed this protest under misapprehension of its wording and intent. That there was some reason to anticipate such speculation is evidenced by the fact that when it was known that the Banque Nationale could not get the new bills ordered in the United States as promptly as expected one other agency managed to collect 200,000 gourdes of the old bills or about one-sixth of the total. I suppose they were starting a museum. Now, there may be valid objection to the proposal. I am not an international banker and do not know. I am satisfied, however, that a large part of this opposition was not disinterested and I believe that antagonism of the government to the Banque and to the Financial Adviser is the real cause of its objection to the proposal.

The Banque Nationale, besides its headquarters in Port-au-Prince, has branches in the eight principal towns of the country with agencies in several smaller places. It receives from the government $1\frac{1}{2}$ per cent on the total receipts and disbursements, which is probably much less than the government would have to pay if it established its own agencies. This payment will be less if the new charter is granted. While the Banque is a money making institution, at least I hope it is, it is compelled by its position to do many things which bring no revenue. For instance it has charge of the issuing of postage stamps, supplying the proper

agents throughout the country, and collecting the money. For this it receives nothing, although this service costs the bank some \$15,000 a year for clerk hire. It also tends to the surcharging when it is found that certain issues are too large. Formerly this was done by government officials at great profit to themselves but not to the country. Owing to the depression in 1921, nickel flowed into the bank until it had something like \$700,000 tied up, on which no interest could be earned, and the bank vaults were overflowing. Finally it had to refuse to receive it. There was no legal obligation to so receive it and yet the government found fault with the refusal.

I have no connection with the Banque Nationale and have never met its president, but, in view of the wild stories that have been circulated by Haitians, and some Americans, of the evil character of the bank and its influence on the United States Government, it is my duty to tell what I found. I should add that in the proposed charter to be granted the National City Bank a number of modifications have been made in the privileges which are all to the interest of Haiti. I see no fundamental difficulty in arranging things so that Haiti may be glad to avail itself of the Banque's services in the future. I must confess that I should like to see

the resident director an American and this I say with no thought of criticism of the very able director now in charge, Mr. Scarpa.

An American Loan. One of the things confidently expected by the Haitians from the Americans was a loan. I was frequently told that a loan had been promised in the Convention of 1915, but this is an error. As a matter of fact such a loan seems to have been expected by the American officials. I am informed that in April, 1917 the Secretary asked for bids on a loan of \$30,000,000 and that two were received. It is stated that these negotiations fell through because of the opposition of the Financial Adviser to certain suggestions of the French Government. There have been negotiations since but the details have not been made public. This amount appears to me excessive but if the proper arrangements can be made between the two governments I should feel that an ample loan on favorable terms would go a long ways not only towards establishing Haitian finances on a sound basis but as an evidence of sincerity on our part and as partial compensation for whatever mistakes and failures we have made. I have already indicated my belief that a reorganization of the taxation system of Haiti is imperative as a basis for good government.

CHAPTER V

A Summary and Some Suggestions

THE Haitian Attitude. Haiti is sensitive, oversensitive, perhaps. Her pride is hurt. Under such conditions people are always extreme in their reactions, and likely to be hypercritical. Much of the antagonism reported as coming from the Haitians is a smoke screen to cover their feelings.

With few exceptions, the Haitians are not antagonistic to Americans but they are critical of the policies of our government. What are these criticisms?

1. Incompetency of our representatives.
2. Uncertainty as to intentions of the United States.

3. Failure to settle internal loans and to make a new loan.

4. Arbitrary actions of both marines and civilians.

These are the underlying complaints. Now, to influence the people of the United States the arguments advanced may be quite different. We must not forget that some Haitians are trying to manipulate the situation to their own advantage and to deceive their fellow compatriots as well as us. What then is the real basis on which the complaints are founded.

Just now Haiti is in a financial depression. Her merchants are overstocked with goods bought at high prices. There is evidence that American firms dumped a good deal of merchandise immediately after the Armistice and recklessly extended credit. The price level of the products of the country is very low. Not being international financiers, the people listen to the agitators who tell them that this is the result of the American Occupation. The Germans are returning and we must expect that they will not always be friendly to the people who forced them to leave the country. The holders of the internal bonds have suffered both because the interest was not paid and because there is no market for the bonds. The provisions in the loans setting apart certain revenues for their security seem to have been entirely disregarded by the American authorities. This is one side of the situation.

Haiti feels that she has surrendered many of the attributes of sovereignty without securing corresponding benefits. She points to the work of Wood in Cuba, of Taft in the Philippines, and asks why she has not been favored with men of like calibre. She forgets the effect of the War upon the United States and the world-wide financial crisis. Nevertheless, while there may

be some measure of justice in this complaint on which I do not pass, for I cannot enter into personalities, I may be permitted to add that in my belief no man could have made a success under the existing conditions. That is to say that I believe the responsibility for the development in Haiti rests primarily not upon the shoulders of the men sent to Haiti but upon the government at Washington. In the opinion of Haiti, while entering professedly upon a program of financial control in the island, we have indicated a desire to exercise wider control. This fear has been exploited by politicians to the extent of their ability and they have found agitators in this country to assist them. Some have attempted to give this a political cast and to throw responsibility on the Democratic party; but I think it is time that we stated openly that there is no partisan policy in this country as regards Haiti.

Haiti was rather inclined to welcome the marines but she wants to know why they are kept in the country after the problem has ceased to be military. She feels that their presence is a constant pressure to force the government to accede to any demands made. Leading Haitians do not emphasize the "atrocities" of which we hear so much. They believe many occurred but recognize that cruelty is not an American trait or policy. It is not the marine, it is the uniform, the symbol of outside control, which irritates.

The Haitian Dilemma. A southern writer on the race problem in the United States once said that there were but two solutions: The first was the removal of the Negroes to some other country, which was impossible; the second was race amalgamation, which was unthinkable. Haiti is in a similar quandary. She is afraid the United States will not remove the marines (this indicates an inability to maintain

self-control, which is galling). She is equally afraid that the marines will be removed (that means revolution). Intelligent Haitians all think, whatever they say for publication, that revolution will occur if the marines leave. They would however welcome their removal from Cape Haitien and Port-au-Prince, say to Gonâve Island a few miles away, so that they could appear at short notice and yet be out of sight. My guess is that a free and honest expression of Haitian opinion would show 90 per cent in favor of the continued maintenance of order by the United States; but opinions differ as to the best scheme.

American Accomplishments. To change the viewpoint for a moment, what have the Americans accomplished in Haiti?

1. The maintenance of order.
2. Establishment of the Gendarmerie.
3. The honest handling of revenues.
4. The beginnings of roads.
5. The regular payment of government employes.
6. The cleaning up of the towns and the beginning of sanitation.
7. The maintenance of a fixed exchange rate of gourde and dollar.

Order is fundamental in good government. Even the much regretted caco trouble may be of great future value if the people have learned that rebellion does not always pay. The Gendarmerie, well-paid, is the beginning of an adequate police system. While the roads are far from perfect no one questions their value. Revenues have always been inadequate. Formerly the government employes were irregularly paid and the bond holders always paid. Now all employes receive their pay, a matter of no small importance. Only a small beginning has been made in sanitation, but the first steps are always most difficult. A system of gov-

ernment engineers holds great promise. Few Haitians seem to have realized what it has meant during the years of financial readjustment to have the support of the United States to their exchange. A glimpse of the experience of Europe and South America should be enlightening in this regard. What would the gourde be worth today were it not for the Americans? Incidentally we may note that the presence of two thousand marines with regular incomes, a large part of which is spent locally, has meant a great deal to merchants and workers of the country. Granted these things, the American achievements are not specially creditable to the United States. We have signally failed on some of the big things such as reorganization of schools and finances. Why, Washington must explain.

What Haiti Wants. In all countries there are demagogues who want freedom of action accompanied by freedom from responsibility. There are many such in Haiti. But such a program will not work in a world of inter-related peoples. We are vitally affected by the actions of Haiti and we cannot be indifferent. This the leading Haitians recognize. What they want is that we should "make good" in our control of Haiti.

Passive Resistance. Haiti has decided that the present program does not work. She has accepted a policy of passive resistance and is in a position to block most of our efforts. From this situation relief must be found.

The Convention. One of the starting points for trouble is in the Convention under which we are working. It is an illustration of the old type of diplomacy from which we are trying to escape in that by "diplomatic language" it purports to do one thing while seeking to accomplish another. Its intent was to give the United States the temporary control of the situation in order that

Haiti might be set on her feet and the way prepared for a real independence later. It was desired to do this while preserving as far as possible the Haitian Government. This desire, however, led to the failure to give to the United States such a position in Haiti that its position could not be a matter of dispute. It set up several more or less coördinate officials, all representatives of Washington, directly responsible to no one head. The American Minister, the commander of the military forces, the Financial Adviser, the Receiver General, the engineers, are all independent. In actual functioning, regardless of their individual merits or personal relations there has been no adequate attempt to achieve common ends. Each for himself is carrying out his duties in accordance with his own ideals, with little conference with the others and with less clear understanding of what Washington is really trying to do. Unless the American government organizes its representatives under some one head, military or civil is unimportant provided the head be an executive, gives them a policy and backs them up, the present Convention is unworkable. It is doubtful now if modifications can be secured. Such modifications are not necessary provided Washington will take a firm stand and will so organize its efforts that constructive results may be secured. It is difficult to understand why Washington, having secured what it wanted, did not proceed to make its will effective.

What Might Have Been. Leading Haitians, Americans and other foreigners resident in Haiti tell me they think that other representatives at the outset might have avoided the present situation. We are, however, confronted by present facts not past possibilities. A change of personnel now is of doubtful value unless the other changes be made.

Foreign Opinion. We should not forget that foreigners resident in Haiti, no matter how critical they are of past performances, are practically unanimous that America must stay in Haiti until a new generation of Haitians, with different ideas of government are ready to assume charge of the ship of state. The collective judgment of these men should be carefully weighed in forming our policy.

What We Might Do. I have never met an American who wanted to absorb the country of Haiti. I know no one who desires to destroy the Haitian Government or who has any wish save that in the future it may prosper and be completely independent. The United States has guaranteed the independence of Haiti, and I have no doubt will continue to do so in the future. Hitherto, however, we have been content to let things take care of themselves. Now we are confronted with the necessity of some definite policy. Even the most zealous advocates of a "self-determination policy" might be brought to see that a given group has "self-determined" its present inability to stand alone and maintain international obligations. Our duty to the people of Haiti is not fully met by accepting at face value all the statements emanating from its upper classes. The world judges by performances, not by words. If we believe that we have an obligation to help Haiti we must carry out our belief regardless of the protests of selfishly interested politicians, there or elsewhere. But we must not be satisfied with words or a purely negative program of "protection." There are many things we might do. We might as a nation refund the Haitian debt. We might admit the products of Haiti on the same terms as those of Cuba, for why should we discriminate between two islands in almost identically the same situation as regards our markets?

A clear declaration by Congress of our intentions with reference to Haiti might clear the atmosphere there. I do not believe there is any difficulty between Haiti and the United States which cannot be amicably settled.

The Option. No one knows the future. No one can be certain of the accuracy of his own ideas. It seems to me that today we are confronted with

the necessity of a choice between two courses, simple yet complicated: complicated because they must rest on continuity of program. We can admit the impossibility of helping Haiti under existing conditions, and withdraw, or we can declare our program, organize our forces, and make good. My humble advice to the United States Government is then: Get in, or get out.

CHAPTER I

The Dominicans

THE total area of the Dominican Republic is over 19,000 square miles, or somewhat more than the combined areas of the states of Vermont and New Hampshire. Running east and west almost in the center is the great central range whose highest peaks rise to 9,000 or 10,000 feet and where valleys like Constanza can be found whose elevation is over 3,000 feet. This range is wooded, has a heavy rainfall and is consequently the starting point of many rivers whose general course is north or south; but the streams on the north all turn east or west, finally reaching either the Yuna to empty into Samana Bay or the Yaque del Norte to find outlet near Monte Cristi. The districts on each side of this central range are quite different. To the south in addition to a wide territory more or less unoccupied, both because of small population and distance from market, are areas like that near San Juan, which will become centers of general farming some day. There are wide stretches of ground used only for grazing purposes today whose soil is not very good.

To the north lies the great valley, ten to fifteen miles in width, known generally together with the hills farther north under the name "Cibao." Just east of the city of Santiago this valley is divided by low hills some 700 feet high. To the west the rainfall is inadequate for agriculture except along the edge of the hills on each side. There is some grazing land near Santiago but further west the country is quite arid and is the home of countless herds of goats which range at will. This part of the valley is drained by the Yaque

del Norte which receives numerous additions from the south but nothing from the north. On some of these side streams land can be irrigated. At Mao, for illustration, a Belgian who saw the possibilities has made a splendid beginning of a rice plantation. Some 12,000 acres here could probably be irrigated at reasonable cost, and the same may be true on other streams. In the neighborhood of Guayubin there are some 50,000 acres which could be irrigated with gravity flow from the Yaque itself at an estimated outlay of \$1,000,000. Nothing has been done on this. Between this place and Monte Cristi there are now several sugar plantations which pump the water from the river. Their future financial success is considered somewhat problematical, owing to the expensive installations necessary.

Santiago itself is the center of the tobacco-growing district. Its streets are packed at times with horses and burros delivering tobacco to the warehouses. To the east near Moca and La Vega we come to the cacao districts, and then to grazing districts. In many ways this appears to be the richest agricultural section of the country. In this region, too, are several saw mills converting the native pine into lumber both rough and finished. I have seen boards eighteen inches in width, but the average is much smaller.

North of the Cibao is a low range of mountains with fairly adequate rainfall offering numbers of small fertile valleys. Going east on the coast from Monte Cristi, with the exception of one small area, we find no land of value

until we reach Puerto Plata, one of the chief ports of the country, where there are several sugar plantations. East of this city there is nothing of note until we come to the Bay of Samana on the eastern coast. Here are extensive coffee plantations and here also the outlet for much of the cacao of the Cibao.

South of Samana there are some cacao regions and then the low lying and swampy, or else rough and hilly coast, little utilized at present. On the south side we find again sugar plantations beginning with the enormous development at La Romana. Sugar centrals are found at intervals along the coast as far as Bani, west of Santo Domingo. To the west at the mouth of the Yaque del Sur at Barahona new territory has been planted in sugar within the last five years. The Barahona peninsula itself is arid.

Population. The first census of the Dominican Republic ever taken was completed in the summer of 1921. This showed a total population of 894,587, a little over 45 per square mile, or about one-fourth the density of Haiti. Of these some 500,000 live to the north of the central range; 394,000, to the south. The crop areas indicated on the map on page 112 also indicate fairly accurately the location of the mass of the population, although there are scattered households everywhere. The country can support many times its present population. To the total given above it is stated that three or four thousand should be added to allow for foreign workers at San Pedro de Macoris. Why these were not included is not stated.

Origin. In the Dominican Republic one occasionally sees the high cheek bones and straight black hair which suggest the Indian. History tells us that the racial antagonisms were never as severe here as in Haiti nor did slavery

take as cruel aspects. The Spaniard mingled his blood freely with Indian and Negro. The Dominican averages a shade lighter than the Haitian; otherwise there is no apparent difference save the suggestion of Indian at times. The percentage of white ancestry is larger, but there are practically no families of pure whites in the country save those of recent immigrants. An American lady of mature years chancing to talk to some young marines one evening in Santiago invited them to have some ice cream with her. They did not immediately respond and after a bit, thinking they were timid, she repeated the invitation. They accepted, asking however, "You are an American are you not?" At the restaurant one youth naively said: "You see there are so many people here who look white in the evening and much darker the next morning that we have to be very careful."

Immigration. There are a few hundred Spaniards or Spanish colonials in the country who have come over for business and a handful of other Europeans and Americans. While it is the desire of Dominicans to encourage such immigration and to attract if possible Spanish farmers, much of the white population is of men temporarily employed who do not intend to remain. To this number must be added many thousand laborers on the sugar plantations who have come from all over the West Indies. Some of them remain but the majority return home. The only source of present immigration of any importance is that from Haiti. This began about a generation ago. The Haitians came in to do any kind of day labor but have settled down to remain. Already they form a very considerable part of the population of some of the towns. I have heard the number in Santiago estimated as 2,500 or 3,000 out of a population of perhaps

20,000. The Dominicans are not keen about this increase. The importation of oriental or negro labor is prohibited by their old law but they have always granted permits to the sugar plantations. Their antagonism is in part historical resentment against the Haitians first, because they once held the territory, and secondly because the Dominicans want to be considered as white while they believe the Haitians to be black.

Land Ownership. The Dominicans are essentially a nation of landowners. The scarcity of population, the abundance of land, has given all a chance. This fact must be kept in mind for out of it flow some important results. The country has never been surveyed. Titles are in great confusion. Not only have many titles come down through long periods of time with the boundaries inadequately described but there has also grown up a system of money or peso titles, as they are called. Instead of trying to divide the inheritance, each heir was given a certificate that he owned so many peso's worth of certain lands. These certificates have been passed from hand to hand and many fraudulent titles have appeared. As in Haiti this is a situation calling for settlement. In the south in the cattle and sugar regions the land seems to be held in large tracts by relatively few families. In the Cibao while there are large farms the average holding seems to be small. One competent observer says that in the richer portions the individual family holds about thirty acres of which he probably cultivates ten. The Military Government has established a land court which is grappling with this problem.

Agriculture. The methods of the Dominicans do not differ greatly from those of the Haitians. The machete is here also the chief tool in agriculture. The difference that one notes, however,

is that here and there modern machinery is appearing. It was my pleasure to see one large farm whose owner prided himself on his efforts to follow improved methods of agriculture. He was even trying to introduce some American fruit trees. He had over 100 of the best pigs I saw on the island. Out of his own money he was building a road to connect with the main highway. The Dominican farmers are more prosperous than the Haitian. One finds here actual plantings of cane, cacao, tobacco, and bananas, to a far greater extent than in Haiti. Most of these valuables crops are carelessly handled, and the products are not of the highest grade. For sometime prior to the financial depression the Military Government was employing some thirty agricultural advisers, was maintaining trial plots, was importing machinery which it sold at cost, and was introducing good seed.

Sugar. The most valuable crop of the country is sugar. This is grown chiefly in the south although there is a little grown at Puerto Plata and Monte Cristi. The soil and climate are so favorable that replanting is unnecessary for fifteen or twenty years and I have seen fields said to have remained in sugar over thirty years. Owing to the enormous cost of the mills sugar is produced chiefly on large plantations. Of these there are about a dozen, most of which are today under American control. Two of the largest are La Romana in the east, where the investment is stated to be some \$7,000,000, with 16,000 acres in cane and a labor force of 7,500, and Barahona in the west. This is a new plantation which is grinding this winter for the first time. The investment here is said to be over \$10,000,000. A splendid plant has been built with adequate provision for houses for the employes. The total possible sugar production is a

matter of conjecture but several times the present output can be grown.

Domestic Animals. The Dominican appears to have more and better cattle and horses than the Haitian. He (and she) are very fond of their horses and are superb riders. Some use is made of the stock for draught purposes. Goats are very common.

Housing. In the Dominican Republic nearly all the houses in rural districts are made of palm boards. One rarely sees a mud-plastered cabin. The roofs are of palm, metal being preferred by the better situated. The rural homes are at times very attractive, with well-kept yards, decorated with flowering or brightly colored shrubs. If on the main roads, there is often a neatly kept hedge which gives evidence of considerable pride. I am told that the new roads are having a marked influence in stimulating the better care of premises. There are few outbuildings and latrines are almost non-existent. The running streams are the main water supply, but in the Cibao there are many cisterns and a few wells. In the towns the architecture is Spanish. The houses are generally directly adjoining the street, giving the passer-by full opportunity to get glimpses of domestic scenes as doors and windows are wide open till closed at night. In every town is the square often so elaborately planted that no open place is left. These parks are the center of the evening social life. Late in the afternoon the girls and boys are promenading and in the evening their parents are also in evidence. Here are given the band concerts which everyone attends. The main streets of the larger towns are more or less macadamized. The sidewalks are very narrow, at times two or three feet above the street level, and not infrequently at different levels in front of two adjoining properties, so great care is needed.

Sanitation. As regards health there seems to be no great difference between the two ends of the island. The prevailing diseases are the same. An American doctor in charge of a local hospital spoke of the amount of surgical work needed in a country with few doctors, none, practically, in rural districts. He also had noted a gain in weight of patients after entering the hospital, thus confirming casual observation as to the inadequacy of food eaten. In the Dominican Republic the French law prevails that a doctor cannot carry or give medicine; instead, the patient must be examined by the doctor and medicine then secured from a druggist. This leads to doubling of charges, to much neglect of suffering among the poor and to hardship in emergency cases. While such a law may have its advantages in France it is worse than foolish under Dominican conditions. The druggists are said to charge often \$4 for simple medicine, which costs but a few cents, and which the physician would probably give the patient. The number of apothecary shops in all the towns and the amount of patent medicine carried, leads the visitor to accept as low the estimate that 5 per cent of the total income is spent for drugs.

Epidemics have been rare here as in Haiti but the country suffered severely from the "flu" and in the autumn of 1921 the smallpox epidemic had crossed the border line from Haiti and was spreading rapidly. Yet an American critic of the administration was condemning it for buying vaccine points. At first the papers and local doctors ridiculed the diagnosis of the disease as smallpox. One Spanish doctor, having first vaccinated his own family, made speeches against the vaccine campaign and condemned the vaccine which he, himself, had used. By the end of October the papers were condemning the

government for not taking more energetic measures. While there are some good physicians in the towns nurses are scarce and hospital facilities are grossly inadequate. There are no sewers in the town. A new leprosarium is nearly ready for occupancy.

The Family. The girls are strictly chaperoned in the better families and marriage is said to be impossible to one who has fallen. In the lower classes concubinage is common. The illegitimate birth rate is high, varying in different regions. No reliable figures can be secured. Formerly one civil official issued the license while the ceremony was performed by another or by a priest. Under the present law the priest can issue the license also, while one civil official can issue license and perform ceremony. This change was introduced to try to limit common-law marriage. As a rule, marriage is contracted early and large families abound. Prior to June 13, 1918 (Executive Order No. 168) there seems to have been no legal requirement that parents should support their children.

Labor. In the rural districts the men and women work side by side and both are seen on the roads taking produce to market. In the towns the lower class women work not only as servants but in the factories. Until lately the higher class women did no work outside their own homes, and not much there, according to common report, but now, since a number of young women from Porto Rico have set the example, many Dominican girls are found in government offices as clerks and stenographers. The Dominican is reputed a rather capable but rather unreliable laborer. In considerable measure this is said to be due to the prevalency of land ownership. Having his own land he does not care to work regularly for others. He likes to take contracts, if not of too long dur-

ation, but cannot be relied on for steady performance. He appears to be good with machinery. It has long been necessary to bring in outside laborers for the sugar plantations because of these conditions and the roads are today being constructed by Haitian labor. In some of the poorer districts, the Dominicans are said to be much steadier as day laborers. Common labor was being paid from eighty cents a day up in 1921 and it was claimed that few would work at the bottom price. In the towns, perhaps as a result of American influence, the washerwomen were charging as much as is charged in our big eastern cities. The upper class man rather despises manual labor.

Personal Traits. From the standpoint of culture there are great differences between the higher and lower classes, for in the Dominican Republic, also, the middle class is hardly existent. Both, however, have traits in common. They are intensely proud of their Spanish connection and think and speak of themselves as Latins. One almost never sees burdens carried on their heads, a custom so characteristic of Haiti. They are kindhearted and generous to their friends, though rather indifferent to suffering. Courtesy is a mantle to be worn on all occasions. They are outwardly polite regardless of their feelings. They will stand on the sidewalk or street blocking your way but with no thought that they are inconveniencing you. Though I was in the country when the newspaper agitation was at its height never once was I treated in discourteous fashion. Among themselves the young men are said to be rather given to fighting—"They are always at it," said one young woman. In pre-Occupation day everyone carried a weapon and the one most desired was a pearl-handled forty-four caliber revolver. Homicide was common.

Amusements. There are a goodly number of creditable newspapers in the various towns and these are sold on the streets more freely than in Haiti. Rumor and surmise are more prominent than news. There are more and better bookstores than in Haiti but the stores carry a large supply of Spanish stories either of the wild-west type or extremely salacious. Reading is not a general habit although the clubs will have well-bound editions of the classics. The movies are well-patronized but the films are extremely poor and one must wonder what sort of an impression they give of America. There are some good bands in the different towns.

Business. Here, as in Haiti, "big business" is in the hands of foreigners and many of the better shops are conducted by Spaniards or Porto Ricans. There are a good many Syrians who have not encountered as much opposition as in Haiti. A few American enterprises have been started, such as the electric light and water works system formerly supplying Puerto Plata and Santiago, just now in a state of suspended animation owing to inability of the company to continue old rates under war conditions and the refusal of the Dominicans to modify the contract in satisfactory manner. The leading banks are the International Banking Corporation, which is under the City National Bank of New York, the Royal Bank of Canada, and the Bank of Nova Scotia, the latter a newcomer. Save the sugar estates there seem to be few agricultural enterprises in foreign hands.

Manufactures. Factories are not numerous in the country but there are a number of distilleries where rum is made, which are owned and operated by Dominicans. During the War a well-equipped safety match factory was started at Puerto Plata which is turning out a good grade of match

which finds ready sale throughout the country. There are two cigar factories making excellent cigars, both Dominican owned and operated, in addition to cigaret factories of foreign ownership. A great quantity of cigars are made in homes and small workshops for local consumption.

Railroads. There are only two lines of railroad doing a general business, with a combined mileage of about 150 miles. The Dominican Central Railway runs from Puerto Plata through Santiago to Moca, 60 miles. This was built by foreign interests but was taken over by the government in 1908. It is a narrow gauge and climbs up a grade of 11% from the coast in order to reach the Cibao. The second road, the Samana and Santiago Railway, runs from Moca to Samana with branches to San Fernando de Macoris and La Vega. Although not standard gauge it differs from the first so no cars can be transferred. No railroad runs from the northern to the southern part of the country and while the project has often been discussed there is no present prospect that such a road could pay expenses. On the sugar estates in the south there are 225 miles of private roads. There is also a short line of some five miles connecting Azua with its port.

Roads. Prior to the Occupation there were few wagon roads in the country although an excellent beginning had been made. Transportation was largely on horseback. There was no wagon road even between the Capital and the Cibao and the journey from Santiago to Santo Domingo was a matter of days even under favorable conditions. I shall want to speak of the public works again so will only add that it is now possible to go from Monte Cristi to the Capital in an automobile with the single exception of a gap of some twenty-five miles in the

mountains, which will be entirely closed in a few months. Even now the trip from the Capital to Santiago is sometimes made in one long day.

About 1912 an American engineer was put in charge and some good roads were built, but he seems to have encountered much opposition and the appropriations were irregular and the funds wasted on disconnected bits of road. To what extent this was due to local politics, to what extent to the official who had been trained as an electrical engineer instead of a civil engineer, or to his lack of tact and uncompromising honesty, I cannot say.

Ports. There are docks at Puerto Plata, La Romana (dock belongs to sugar company but is open to others), San Pedro de Macoris, Santo Domingo and Barahona; elsewhere lighters are used. There are a number of lights on the coast. The harbors are not in very good condition, never having been adequately dredged.

Steamship Lines. The Clyde Line has had a monopoly much of the time in the trade with the United States. Now at least two other lines send freight steamers regularly. The French line gives direct connection with Europe. There is also frequent connection with Porto Rico.

Commerce. The foreign trade of the Dominican Republic estimated by five-year periods is as shown below.

This table indicates a very gratifying increase in the total foreign trade but a considerable part of the increase after 1914 is due to war-time prices, just like the terrific slump which came in 1921, and has little re-

lation to production. The production of sugar has been doubled from 85,000 tons in 1910 to about 185,000 in 1920. A large part of this commerce is with the United States. For instance, in 1919-20 the United States trade represented 77 per cent of the imports and 87 per cent of the exports; 13 per cent more of the imports were from Porto Rico and to Porto Rico went 2.6 per cent of the exports.

For the year 1918, which can be taken as typical, the chief imports and exports were as shown in the table on page 173.

Economic Situation. The rapid increase in commerce brought great prosperity to the country. The crops were good; the prices were high. During the War there was no special shortage of anything. Those who had previously eaten white bread did not have to make substitutions. The money income was great, both for the individual and the state. The merchants seemingly expected the boom to last forever. They were given extremely liberal credit both by banks and by American houses. After the War there seems to have been a good deal of "dumping" here as well as in Haiti. It was not until 1921 that the significance of the War came home to the Dominicans. Suddenly there was no market for their goods. Merchants could not sell because no one could pay. In the summer of 1921 the Dominicans did not declare a moratorium. It was not necessary. They simply stopped paying their bills. I saw many accounts settled for 35c on the dollar. A banker told me that the banks had failed to

FOREIGN TRADE OF THE DOMINICAN REPUBLIC, 1905-1920

	<i>Imports</i>	<i>Exports</i>	<i>Total</i>
1905	\$2,736,828	\$6,896,098	\$9,632,926
1910	6,257,291	10,849,623	17,107,314
1915	9,118,514	15,209,061	24,327,575
1920	46,525,876	58,731,241	105,257,117

foresee the crash and were caught with large loans outstanding. He said that his guess was that the loans of very doubtful value today ran from about \$12,000,000 and \$7,000,000 to \$2,000,000 for the three largest banks. The warehouses are loaded with goods bought at high prices which cannot be sold for more than a fraction of the original cost. This situation and the uncertainty of the future have greatly increased the discontent against the Americans, who, in some mysterious way, are held responsible. The government tried to save the tobacco growers by buying crop at a price above the market. It has the tobacco on its hands and the outcome is uncertain.

The Future. In time the crisis just mentioned will be met and conditions become normal. The country is relatively undeveloped. The climate and soil are good, although one needs to be very careful of the exaggerated statements often made. Probably not more than 10 per cent of the soil is really first-class. But a growing season practically twelve months long and a soil of average fertility wherever the water supply is ample, accomplishes wonders. Schoenrich is correct in speaking of Santo Domingo as the country with a future. Nature has done her part. What will man do?

Schools. In 1915 the Dominican Republic did not own a single school-building. Rural schools were almost unknown, not exceeding eighty-four

in number, the superintendent told me. The total school enrollment was about 18,000. While there were some public schools in rented buildings dependence seems to have been placed on the private, subsidized schools, the subsidy depending wholly on political influence. The teachers were paid very little and very irregularly. There was little supervision of the schools. Diplomas and certificates were given with very little reference to qualifications. Numerous private secondary schools existed, "all issuing diplomas none of which required proper preparation therefor and most of which required practically none." There were two Institutes of Social Studies and one Professional Institute whose functions seem have been to furnish salaried positions and a poorly equipped and inadequately supported University. The government sent some fourteen students abroad but there was complaint as to method of selection. On paper there was a comprehensive system but, as Mr. Lane once wrote, "The code of education was a pompous collection of inane provisions." Probably the best way of measuring the efficiency of the school system is the fact that about 90 per cent of the population was illiterate. The children of the well-to-do were educated abroad, often in the United States, if light enough in color to pass as white. There was little interest in general education save in limited groups. Here as elsewhere

CHIEF IMPORTS AND EXPORTS OF THE DOMINICAN REPUBLIC FOR THE YEAR 1918

<i>Percentage of Total Imports</i>		<i>Percentage of Total Exports</i>	
22.46	Foodstuffs	61.90	Sugar, incl. cane and molasses
18.46	Cotton	21.64	Cacao
9.57	Machinery and Apparatus	7.39	Tobacco (leaf)
7.61	Iron, steel and manufacturing	1.30	Hides (cattle)
5.51	Fibres, vegetable and manufacturing	1.05	Honey
3.97	Hides, skins and manufacturing	1.02	Coffee
3.14	Mineral oils	.85	Goatskins
2.41	Woods and manufacturing	.80	Beeswax

were individuals, prophets of a new order like the Porto Rican, Eugenio M. DeHostos, whose name is spoken in reverence by the Dominicans.

Religion. The Roman Catholic Church is dominant in the country. To a large extent its churches have been built from public funds and there is some dispute as to whether the buildings are or are not the property of the state. With the exception of a small handful of Spanish Franciscans, all the priests are natives. The present Archbishop is very popular but the priests as a body are despised rather than respected, both by foreigners and educated natives. Rome appears to have little control of the situation. The local priests live openly with their women and their families are not limited to one. Drunkenness is frequent among them. The French priests of Haiti are disgusted with them. Judging by appearances the Dominican men have only a formal contact with the church, the great mass of attendants at meetings being women. The Protestant churches in the country are few and feeble. A number of denominations maintain missions. Except among the immigrants one finds no traces of the Voodooism so dominant in Haiti.

Government. The constitution establishes a representative form of government. The Senate is composed of twelve members, one from each province, elected for six years. The Chamber of Deputies has twenty-four members, two from each province. Suffrage is extended to all males over eighteen years of age. The Congress is supposed to meet each year on February 27 for a period of ninety days which may be extended sixty days if necessary.

The president is elected for six years. There is no vice-president, Congress choosing his successor in an emergency.

The Cabinet consists of the secretaries of the seven departments:

The Department of the Interior and the Police, which oversees the administration of the provinces, the municipalities, and the police force and has charge of the archives.

The Department of Foreign Affairs, which has charge of the consular and diplomatic corps and foreign relations.

The Department of the Treasury and Commerce, which collects and disburses public funds and prepares statistics.

The Department of War and Navy, which attends to all matters of public defense.

The Department of Justice and Public Instruction, which has in its charge courts and prisons, matters of education, and all things pertaining to the Roman Catholic Church.

The Department of Agriculture and Immigration, whose title is self-explanatory but whose accomplishments have never been very striking.

The Department of Promotion and Communications, which controls all public works and the granting of patents, trade-marks and mining claims.

There are twelve provinces, each with its own appointed governor who is directly responsible to the Secretary of the Interior and Police. In actual life these governors have often ruled as petty kings and have sought to rival or "oust" the president. Their powers are considered too large by some of the ablest Dominicans. The provinces are divided into communes with necessary local officials.

Courts. In each commune there is at least one local court (*alcadía*), sixty-three in all. Each province has one court of the first instance. There are courts of appeal at Santiago and Santo Domingo (possibly a third at LaVega—my authorities are conflicting), the number of whose judges can

be increased but not diminished by the president, and a Supreme Court at Santo Domingo. The last consists of a presiding judge and six assistants according to the constitution, but I believe there were but five at the time of my visit.

The legal codes are almost literal translations of French codes of the middle of the nineteenth century with few adaptations to local conditions. The legal books are usually French. The courts have been poorly equipped either with furniture or books. There has been little supervision of judges or lawyers and the average standard is not considered very high.

The Dominican courts seem to have aroused much less antagonism than those of Haiti. There is little evidence of discrimination against the foreigner. There are, of course, curious decisions. On one of the sugar plantations an automobile driven by a man probably intoxicated and carrying the owner also intoxicated attempted to cross a railroad track one night at about two o'clock. It was struck by a train which was being backed down the track with the engine at the further end, a brakeman carrying a lantern on the front car. Damage suit was brought and the court held that the chauffeur, brakeman, engineer and fireman were equally responsible and imprisoned all of them while it fined the sugar company \$500. This was paid as the company feared to fight. This case probably indicates an attitude towards corporations not unknown elsewhere rather than an attempt to penalize the foreigner. Incompetency rather than crookedness is the burden of the criticisms.

Attitude Toward the Law. As regards the attitude towards constituted government little need be said. One recent writer has thus summarized the situation: "During Santo Domingo's seventy years of national life, nineteen

constitutions have been promulgated, and there have been fifty-three presidents, but three of whom have completed terms of office for which they had been elected. Two were killed, twenty deposed, and the others resigned more or less willingly." There were thirty-five presidents between 1863 and 1916, thirteen between 1899 and 1917 and seven between 1911 and 1916. It is evident that the central government has never been any too secure. The fact is that most of the time there was active revolt in some part of the country. Although the president appointed the governors he had to take the strongest men even though these were opposed to him. At one time a provincial governor controlled part of the city of Santiago while the rest was ruled by the commandant of the fortress there. Here another governor was raising his own army and handling revenues with little regard for national laws while elsewhere a private citizen owning a great territory ruled as a feudal lord, gathering to himself criminals and malcontents from other regions. Where the opposition did not dare come out into the open guerrilla warfare and banditry flourished, often supported by politicians in the towns. Between these political bandits and roaming criminals no hard and fast line can be drawn. I am informed that even the strongest of the rulers like the despot Hereaux, dictator from 1881 to 1889, or Caceres, who was assassinated in 1911, had never entirely suppressed the brigands, particularly in the eastern district. The Dominicans have never attained that respect for law without which orderly government is impossible.

Nominally a republic, the actual government has been a despotism. There have never been political parties as we understand them. There have been parties named after their leaders

but their programs have been identical, that is, to get into office. It is difficult to point to any measure undertaken by any government for the benefit of the country. There have been no free elections worthy of the name, though there have been contests between these personal followings. The voting has been under direction.

Graft. In a country so managed it must be expected that officials will try to make private profit out of their positions. This is freely admitted. The politician has dodged his taxes as have other influential men. For instance in 1917 with some sixty-six stills operating in the north the internal revenue from them was less than \$15,000 a month, but when in 1919 an American was put in charge and the stills reduced to nine, the revenue increased to \$35,000 a month. In the province of Santiago, with from twenty-two to twenty-eight stills operating between 1912 and 1917, the total revenue was about \$55,000, but in the first seven months of 1918, one still alone in Santiago paid \$57,000 revenue. A competent observer said that his guess was that the graft in the civil pay roll was not more than 5 per cent but that big money was made on supplies for the army and in financing revolutions. This last was the origin of a large part of the old fortunes of the country. Everywhere the people believe that the officials are grafting. Formerly every cigar had to have a separate revenue label and it was forbidden to remove this until the cigar was partially consumed. Now each box or package

must have a label and I was told in Santiago that probably three-fourths of the cigars smoked had paid no dues as only the larger factories could be made to observe the law. I cite this to show the attitude of the common man. He does not believe that any official is honest and knows that he would not be if given similar opportunities. Bonding companies are significantly absent.

We are often told that the revolutions were practically bloodless and were really little more than counterparts of our electoral campaigns, with rifles and revolvers furnishing the fireworks. Aside from the fact that the natives say that the revolutions were becoming more violent, this statement ignores their effect on industry. "The peasants have never had any inducement to save," said a Dominican woman to me one day. It was useless to try to accumulate stock or other property when tomorrow, or next week at the latest, some leader or his gang would come along and seize everything. No continued industry was possible if "volunteer forces" might appear at any time looking for recruits. The handicap to the country was enormous.

It is evident that there are certain fundamental resemblances between Haiti and the Dominican Republic in spite of equally obvious differences. The latter country is a bit further along the road to civilization but is still stumbling over some of the same obstacles. The necessity of an inner change in the attitude of the leaders is just as acute.

CHAPTER II

The Military Government

AFTER the flight of Morales in 1906, Caceres became president of the Dominican Republic and was re-elected in 1908. He was assassinated on November 19, 1911, and replaced by Victoria, who was elected constitutional president on February 27, 1912. Revolution broke out and the United States sent a commission which helped effect an agreement between the leaders of the opposing factions. The Dominican Congress assembled and accepted the resignation of Victoria, electing the Archbishop, Adolfo A. Nouel, as president. In spite of his personal popularity he was not a strong executive and after a brief time resigned in disgust. Bordas became provisional president, April 14, 1913, and served for one year. There were other revolutions and another commission went down from Washington. The resignation of Bordas was arranged and Baez became provisional president, August 27, 1914. In October, Jimenez was elected president, taking office in December. For a time all was quiet but in April, 1916, Arias, the Secretary of War, deposed Jimenez and assumed power. With the consent of Jimenez, American forces were landed on May 5 with orders to support Jimenez and Arias was notified that he would not be recognized as president. The Dominican Congress then chose as provisional president a prominent physician who had given up his profession to enter politics and who had lived many years in Cuba, Dr. Henriquez y Carvajal.

As a condition of its recognition of the new government the United States suggested a convention similar to the one with Haiti (which is reprinted on page 152). This the Dominicans abso-

lutely declined. The American authorities then refused to turn over to the government the revenues collected. Finally Washington resolved to end the trouble and order the naval forces to take entire charge. So on November 29, 1916, there was set up "The Military Government of the United States in Santo Domingo," which has remained in complete control since. The governor has been an admiral of the United States Navy, more correctly a series of them. All the high officers of the central administration have been Americans.

Lack of Definite Reasons. So far as I can learn, Washington has never given either to the Americans or to the Dominicans a definite statement of the reasons leading to the intervention, except the brief statement in the Knapp proclamation that the intervention was to help establish stable government in order that treaty obligations might be kept. It is not publicly known just what men advised such intervention. Until some of the inner facts are revealed it is difficult for the outer world properly to evaluate the courses followed or to award praise or blame. The Dominicans understood at first that a legation guard was to be landed; then that men were being sent to prevent damage by revolutionists; but the subsequent demands of the United States make these seem but excuses. I have indicated that from the American standpoint the Dominicans had not, perhaps because they could not, lived up to the pledge not to increase the debt without the previous consent of Washington. The preceding paragraph indicates a great deal of internal turmoil. In all of this, however,

neither American lives nor property were jeopardized so far as known.

Prominent Americans and Dominicans have told me that they believe that Washington knew of certain plans of Germany to use the island if opportunity offered and, inasmuch as we were not then at war, thought it better to forestall such a possibility. If this were the main reason it is difficult to understand why President Wilson waited until December, 1920, before proposing to withdraw the troops. Some Dominicans believe that Washington more or less identified the Haitian situation with the Dominican and failed to appreciate the differences. It may be that European countries urged our government to intervene. So I was told by one of the highest officials under Mr. Wilson. There is no evidence whatever that this action was due to any underhanded or grasping motives. This the Dominicans admit for they, and I, believe it was done in good faith as a matter of necessity. I should like to know, nevertheless, just what the reasons were. Admitting then that only the strongest arguments could have induced Mr. Wilson to order an occupation seemingly so contradictory to certain principles emphasized by him, and admitting good faith, it is possible that the action was a grave mistake. Here, then, is the fundamental question which makes all the problems of actual administration of our trust insignificant but upon which we must suspend judgment until all the facts are known.

No Evidence of Policy. Whatever the facts prove to be in regard to the reasons for occupation, there is no evidence that Washington had at the outset, or has developed since, any well-thought out policy or program. It presented a scheme for a new treaty as already mentioned. When this was refused and anarchy threatened, Wash-

ington, finding its hands forced, ordered the Navy to assume full control. Under such circumstances one would naturally assume that the officials in the Dominican Republic would be given a policy to be carried out. No trace of any such policy can be found. Seemingly Washington has drifted along in a hopeful attitude, settling problems as they have arisen but holding no clear vision of what it wants to do. The men on the ground have been left to their own devices. Admiral Knapp decided to interfere as little as possible and Washington was satisfied. Admiral Snowden, who is reported to have said that he "would be damned if he did anything and damned if he didn't," decided on the former course and Washington was just as satisfied. Whether the State Department and the Navy Department saw eye to eye is a matter of doubt. Certain important recommendations of both military and civilian representatives were quite contrary to the policy of withdrawal announced by Mr. Wilson and I am told that the local officials knew nothing of this decision until they received the declaration with order to publish. If it be true that Washington had no policy, it is a reflection on our methods. It has put our representatives on the island in an unfair position for they are supposed to be the executors of our policy, not the originators. I have sought to make this point clear before discussing what the Occupation has done, because of its bearing on our final verdict.

It would be hard to find a more responsible or more anomalous position than that of the admiral called on to serve as governor of the Dominican Republic. His immediate assistants were fellow officers many of whom, in keeping with American traditions, did not know the language of the country. In the provinces were the old native

officials, the governors, the communal councils, etc. The old system of courts with native judges existed. Congress was no more. If new laws were needed there was no way to get them except to issue executive orders and 589 such had been issued by December 31, 1920. But would the courts recognize and enforce these new laws? It is obvious that while the governor might obtain the best native advice on modifications of the old laws (which was often asked) he could not count on the hearty co-operation of the people, particularly of the educated class, which was most likely to feel antagonistic. Regardless of the wisdom or the necessity of his decisions there was sure to be sharp criticism. As a matter of fact, he has been compelled to issue orders which affect nearly all departments of the national life. It is out of the question to consider all of these and we can only indicate some of the more important changes made and describe some of the new programs, and indicate the nature of the criticisms. I should add that the policy has been to employ Dominicans wherever possible.

Preservation of Order. While there was some armed opposition to the marines when they entered the country this was speedily overcome. The military problem became a police problem. There had always been armed individuals and at times armed bands in various parts of the country whose suppression had been difficult, both because of the nature of the country and because they were more or less supported by public sentiment. As already stated there was no hard and fast line between the roaming criminals and the revolting politicians, the "gavilleros" as they are locally called. The peasants feared to oppose or denounce them and their fear was justified. Even the big sugar estates formerly "paid for protection" and I am

told that they have continued this policy even under the Military Government. To assist in suppressing such trouble the natives were required to surrender all arms and it has been very difficult to get a permit to possess even a shot gun. One result of this policy, which is approved incidentally by all thinking Dominicans, has been a great reduction in homicide. A prominent man told me that in the province of Santiago prior to the Occupation there were about 300 homicides a year and that since there have been only 50 a year. Many Dominicans freely admitted the truth of the statement. This means that over a thousand Dominicans are alive and, we will hope, well, who would have been dead had the old conditions obtained. This number, let us note, is many times the total of all the atrocities ever charged against all the Americans in the entire country.

There was an increase of banditry in the summer of 1921. About the middle of September I heard that arms from Mexico, via Jamaica, had been landed at Monte Cristi, their delivery having been arranged by prominent men of San Pedro de Macoris. I was not greatly surprised to learn that in the round-up made at the end of the month after the English manager of a sugar estate near this town had been kidnapped and held for ransom, brand new Smith and Wesson arms with new ammunition were captured. The politicians in the towns, hoping for the early departure of the Americans, were starting their old games.

Barring such local affairs the entire country has been at peace and the foreigner as well as the native can go about freely without fear. Evidence of a changed order is seen in the fact that many peasants who had formerly hidden their cabins away from the main roads are coming out of the brush and building new homes on the high-

ways. Everywhere I found that now they feel safe and have no fear either for themselves or their possessions. The peasant appreciates the substitution of order for the old revolutions. Of course, arms and ammunition are smuggled in once in a while. In one case the crew on one of the Clyde liners had planned to deliver a considerable quantity which they could have sold at great profit but the shipment was discovered. There are, however, few arms of any account in the hands of the public.

Police Force. The Military Government has built up a local force known at first as the "Guardia" and still so called except in official papers. (For some reason the name was changed in June, 1921, to *Policia Nacional Dominicana*.) This consists of some 800 men, officered by Americans, and is very similar to the Gendarmerie of Haiti, although its duties are more limited. The pay of privates is \$15 per month. It is criticised by the Dominicans just as the Gendarmerie is by the Haitians. Its officers however feel that it is to become a valuable asset to the country. I suspect that much of the local opposition is due to its control by Americans. Some of the papers in 1921 tried to start a movement to condemn as traitors those who served in it.

Internal Revenue. While on the island I learned that after 1904 very great frauds grew up in connection with the internal revenue. In the report submitted in November, 1920, by Lieutenant Commander A.H. Mayo, the officer administering the Department of State and Commerce, I find ample confirmation of this statement and from his report I take the statements in this paragraph. The total internal revenue collected in 1916 was \$782,144; in 1917, \$1,232,697; in 1918, \$1,697,163; in 1919, \$3,014,230 and in 1920, about \$4,000,000 (I do not have

the exact figure at hand). The amount collected on alcohol, which had averaged about \$210,000 per year from 1909 to 1916, rose to \$511,000 in 1918 and to \$809,000 in 1919. In July, 1917, the largest distillery was sued for fraud and paid out of court the sum of \$64,-340.10 to settle the case. Commander Mayo adds:

The frauds committed in the administration of the alcohol tax were far exceeded by the illegal traffic in stamps and stamped paper. Government stamps and stamped paper had been used by the government, or by the officials of the government, to barter for the purpose of obtaining ready cash, and both were often sold in large quantities at an almost ruinous discount. Officials of the government frequently collected commissions on such sales.

Elsewhere he states:

Enforcement of the old license law has been in the hands of the local municipal governments. Due to poor methods and the practice of selling the right to collect taxes, it was not a success. Of the many taxes imposed and collected by the municipalities it is doubtful if more than 70 per cent of the taxes due and payable were ever collected and in all cases the cost of collection was enormously high, often reaching as much as 50 per cent.

It is estimated that the municipal collections did not exceed \$260,000, while in 1919 under the new system \$630,305 was secured. These changes of great advantage to the country have been brought about largely by the systematizing of the work, the discharge of a large number of dishonest men, the introduction of a local bonding system supported by the employes themselves and not by an increase in the taxes themselves.

Direct Taxation. The tax on land created by executive order No. 282 on April 10, 1919, is in many ways the most important change made by the Americans. The original order con-

tained some foolish provisions such as the attempt to graduate the tax on the amount of land held, not on its producing power, which had to be changed. Leading Dominicans admit the value of the tax and there is little chance of its future abolition. The rate of the tax is one-half of one per cent on the assessed valuation. This law compelled the development of a force of assessors and Porto Ricans seem to have been selected at first. There is much complaint of the way they did the work but it is difficult to determine the justice in the complaints. As a fact, the difficulties were no greater than one would anticipate and experience will show what changes are needed.

The law has succeeded already in destroying many fraudulent titles. The declared valuation of the real property was \$141,000,000. The tax collected in 1919 was \$740,924 and in 1920, something over \$900,000. The collections in 1921 ran considerably behind this sum. This was due in part to the financial depression; in part it was the result of the belief that the Americans would soon withdraw and that a native government would repeal the law. As a rule the people had accepted the law without much objection but some, of course, were antagonistic. One former provincial governor, for instance, refused to pay until given the privilege of paying within twenty-four hours or going to court.

Handling of Funds. The American officials deserve great credit for their work in developing the financial methods of the government, in introducing system, in securing honest employees, and in avoiding the least suspicion of any graft or dishonesty on their own part. For once, at least, the government funds have been honestly administered. It is to be hoped that the Dominicans appreciate these facts. So well have affairs been administered

that all obligations have been met in spite of the fact that the salaries of employes have been materially increased, and by 1920 there was a surplus of some \$4,000,000 in the treasury. Just now the situation is changed. The officials do not seem to have realized the near approach of a financial crisis in the world's affairs which would involve the Dominican Republic. It is now common to condemn these officials, but we must not forget that the local banks were equally shortsighted. I am inclined to the belief that some people in the United States were no better informed.

Education. The Dominicans freely state that the impetus given public education is one of the best things done by the Americans. Rufus H. Lane, who was in charge of the school work, appears to have been one of the best men we have sent down; at least the Dominicans are enthusiastic about him. No less enthusiastic over the schools is his Dominican successor. Since the Americans came the number of rural schools has increased from 84, with about 1,000 children enrolled (average attendance 40 per cent) to 489. The salary of the teachers has increased from \$5 and \$10 a month to \$55 and the salary is regularly paid. (After the financial crisis the salary was reduced to \$40 as an emergency measure.) There are today 489 rural primary schools, 49 primary city schools, 69 graded schools, 6 industrial schools, 4 special schools, 2 normal schools, as well as the University which has been somewhat reorganized. The total enrollment has increased to 100,000. It is estimated that some sixty to sixty-five thousand children have learned to read and write. In some rural districts the census showed that 20 per cent of the population could read and write and that nearly all of these were children under sixteen.

In the towns there is a school-day of five hours. In the country there are two sessions of three hours each for different groups of children, thus enabling the building to do double duty. In the hurricane of September, 1921, many schoolhouses were wrecked and many of these were among the first buildings to be repaired. Even the *bandits* are alleged to have forced such repairs. Local school organizations have been started even in rural communities, which have built many schoolhouses. Five excellent buildings have been erected by the government, two in Santo Domingo, two in San Pedro de Macoris and one in Azua. Plans had been made to erect many others but there were many difficulties encountered. Some towns refused to give sites. No reliable contractors could be secured in the North and by the time outside contractors were ready to bid the slump came and all projects had to be abandoned. Meantime, expecting other buildings to be ready and knowing the delays incident to importing, the school authorities had made large purchases in the United States of desks and other supplies which must now be stored.

Curiously enough it was in connection with the schools that one of the greatest psychological blunders of the Americans was made. Owing to the financial crisis the school-year, 1920-1921, was shortened by two months. This caused a great furore. It seems to have been a regrettable mistake but the Dominicans must not forget that in the old days most of these schools were not open at all. Such shortening of the school-year is not unknown in this country under similar conditions. I trust this new interest in education will not be lost but it is not encouraging to hear in Santo Domingo the common rumor that when the Americans leave one of the fine buildings will be used as

an official residence and not as a school.

Public Works. To the question of permanent public improvements much attention has been paid. It is understood that Admiral Knapp at first favored the construction of a railroad from the Capital to Monte Cristi but later realized that a system of roads was preferable. There was also a crying need for the construction of schoolhouses, for the repair of existing wharves and warehouses and the building of new, for the creation of correctional schools, and asylums for lepers and the insane, and for hospitals. After long study a large program was developed, whose estimated cost was some \$16,000,000. It was proposed to meet this cost by using some three million dollars available in a fund for public works, by setting apart another three millions from the accumulated surplus of government income and by borrowing the balance.

This program was endorsed by the second Pan-American Financial Conference. I am informed that it was also approved by the State Department; at least, such is the understanding of the officials in Santo Domingo. In substance, the State Department is alleged to have said, "Go ahead and spend the six millions and when the balance is needed a loan will be approved." At the beginning of 1921 the officials asked Washington for the loan and were astonished to find that it would not be approved. Finally a loan of \$2,500,000 was allowed in order to meet certain existing obligations and to complete some of the road building program. Doubtless this change of heart was due to the belief that the Americans would soon withdraw but its effect on the program is easily seen.

Roads. Meantime work under way when the Americans entered had been carried on. Many difficulties were encountered. In November, 1917, bids

for road work were advertised in the United States and Porto Rico as well as locally. Two or three American contractors went over the ground but only one bid had been made by April, 1918, and the price submitted was so high that it was immediately rejected. Admiral Knapp wisely decided not to attempt construction on a "cost plus" basis. In 1918 two American contractors submitted a reasonable bid for the construction of fifty kilometers of the road between Monte Cristi and Santiago, the rest having already been laid. This bid was accepted and the work done. In August, 1918, the Department of Public Works was ordered to start another road. The question of labor now arose. The Dominicans had opposed the introduction of Haitians for road building and had been supported by Knapp. But other labor was not available in sufficient numbers. Admiral Snowden became military governor in March, 1920, and shortly thereafter gave his consent to the importation of Haitians. By October, 1920, sufficient engineers had been found and enough labor secured, together with necessary machinery, to create the belief that the main program of roads could be completed by May, 1921. In January, 1921, owing to the failure to secure the loan above mentioned, it was necessary to discharge 90 per cent of the engineers and all of the laborers and stop work entirely. There was no resumption of the work until July 1, 1921, when part of the \$2,500,000 loan became available. The small sum at the disposal of the Department will enable it to finish the main road after a fashion, but that is all. Temporary wooden bridges nine feet wide over some torrential streams must be left instead of the permanent concrete structures planned. The local officials cannot be blamed for the failure of the original program.

From many standpoints this road building has been the most important thing undertaken by the Americans, more important in my own opinion than the building of schoolhouses, and we are making a great mistake in not finishing the job. One Dominican said to me: "You are making a serious blunder by failing to grant the entire sum needed to complete permanent roads. The politicians would howl and the people grumble at first but the roads would be so valuable that in a few years the cost would be a minor matter and the people would be grateful to you for leaving a structure they could not hope to create for themselves." In one community when the work stopped, the citizens gathered together and did a great deal of work to put the road in usable condition. Only one who has gone over the country can appreciate either the need or the difficulties encountered. I sincerely hope that some solution may be found. That the Dominicans appreciate the roads is evidenced by the number of automobiles they have purchased in recent years. Regular bus lines run to all accessible towns about Santiago and the Capital.

Wharves. A new concrete wharf with an adequate warehouse has been built at Puerto Plata replacing an insignificant wooden pier formerly used. The wharf at Santo Domingo has been much enlarged and a fine custom house built. At San Pedro de Macoris a concrete wharf is under construction to replace an old wooden structure. The wharf at Barahona has been enlarged.

Postal Service. In olden days it took from ten to fourteen days to get mail across the country. This service has been greatly improved and will be further expedited when the roads are completed. The graph on page 184 will show the advance made in the last

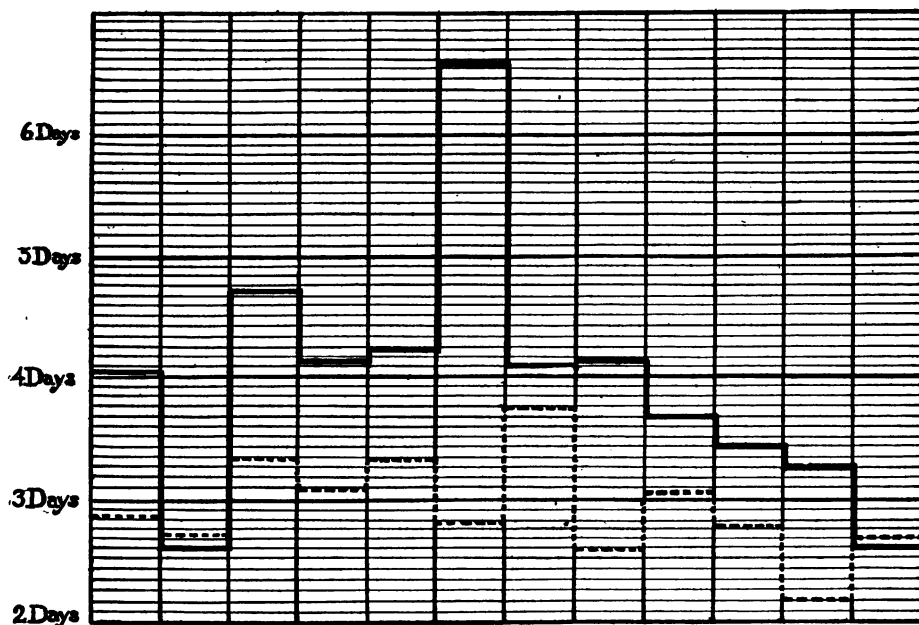
year. The monthly fluctuations are almost wholly due to weather conditions.

Inasmuch as it is impossible to go further into the details of the work accomplished it may be presented in comparative form by the sketch on page 185 furnished by the Department of Public Works.

It is clearly impossible even to attempt to sketch all the activities of the American officials in administering the government. I have hardly mentioned, for instance, the public health work. I can only summarize by saying that it has been the endeavor to establish such programs as we have found necessary in our own country. Before attempting any general estimate of these attempts it is necessary to consider briefly one or two other matters.

Censorship of the Press. In an order issued November 29, 1916, it was decreed that any comment on the attitude of the United States or with reference to the Occupation must be approved in advance of publication, and the publication of all violent or inflammatory articles or those counselling hostility or resistance to the Military Government were prohibited. There has never been freedom of the press in the Dominican Republic as we understand the term, and the order was doubtless necessary. Its execution, however, and some of the sentences imposed for violation caused much feeling. Censorship is seldom either wise or efficient and probably many blunders were made. The funniest story, for whose truth I cannot vouch, but which was told me by an educated American, ran

TIME REQUIRED FOR MAIL DELIVERY—MONTE CRISTI TO SANTO DOMINGO

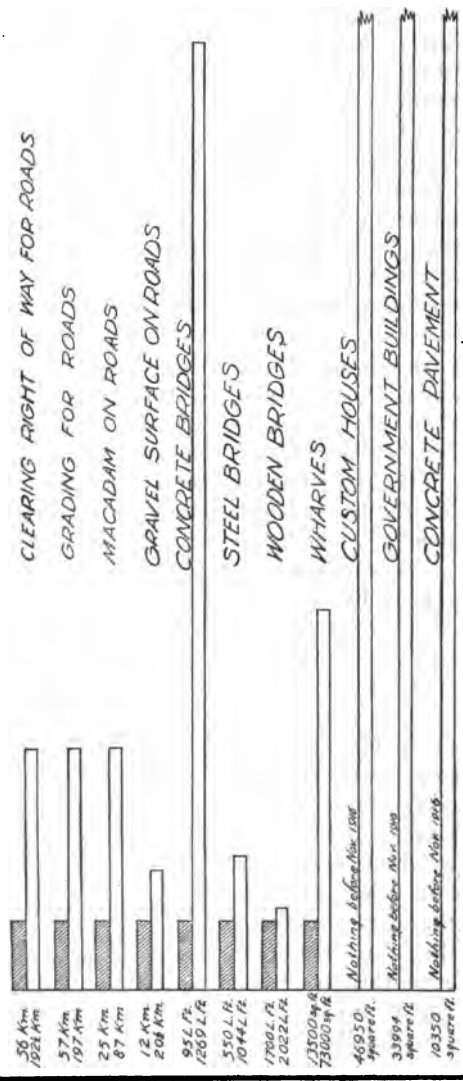


(Each cross line represents two hours)

— Fiscal year 1919-20. Average time 3 days 22 hours.
 - - - Fiscal year 1920-21. " " 2 " 22 "

DIRECCIÓN GENERAL DE OBRAS PÚBLICAS
A COMPARISON OF THE WORK DONE BY THE DEPT. OF PUBLIC WORKS
DURING THE THREE AND ONE HALF YEAR PERIOD PRECEDING THE MILITARY OCCUPATION
WITH THE THREE AND ONE HALF YEAR PERIOD FOLLOWING

Work Done Mar. 1930/Apr. 1945 Work Done Nov. 1916/Mar. 1920



as follows: The censor had passed an article in which was described the Bolshevik movement in Russia, and was called to account by a higher official. Subsequently he received an article signed by the same writer and rejected it at once—although it happened to be an article on the Red Cross written by request.

The old Dominican law recognized two types of offensive statements: "difamacion," the allegation of an act affecting the honor or reputation of an individual, and "injuria," an offensive statement not imputing a specific act. The penalty for "difamacion" against the representative of a foreign country was punishable by imprisonment from eight days to three months and a fine of from \$5 to \$10. The publisher was not directly responsible if the offending article was signed by another. "Injuria" was a simple police court matter with a fine of one peso (25c). After the removal of the censorship it was necessary, if any protection were to be given, to change this law and so executive orders No. 572 and No. 573 were issued December 6, 1920. The first of these (Sedition Law) prohibited the publication of (a) any article advocating or defending anarchy or Bolshevism; (b) any proposal to overthrow by force the Military Government, or resistance to its laws and legal orders; (c) any criticism of the Military Government, of the United States, its representatives civil or military, in such form as indicated an intention to provoke disorder or revolt, and (d) any discussion of conditions in the Dominican Republic couched in language which shows an intention to provoke disorder or revolt. The second law (Slander) provided punishment for the libel or slander of civil or military representatives of the United States or similar publications against the government itself. Statements against an individual, if true, are

neither slander nor libel. It is difficult to find just criticism of these laws but they were practically repealed for reasons unknown to me by executive order No. 591 issued early in 1921, which practically limited itself to the prohibition of "doctrines of anarchy" or "doctrines and practices contrary to public morals as understood by all civilized nations."

It seems to be true that the local officials could not count on the backing of Washington and that they were discouraged by the many reversals of verdicts. It is known that Dominicans in Washington wrote home that the papers could say what they chose and could practically laugh at the Military Government. Anyhow, early in 1921 the Dominican papers became not only free in their discussion of local conditions but filled with violent, abusive and insulting comments with reference to Americans. Protests to Washington brought no relief. Leading Dominicans often expressed regret to me that this should be tolerated. To show that I am not drawing on my imagination let two illustrations suffice. The first is taken from the first (and last) issue of *El Machete*, published at Santiago, August 4, 1921.

EULOGY TO THE DOMINICAN MACHETE

Dedicated to Lulu Rodriguez who knows how to interpret the dance of the edge of the machete on white flesh.

Hail to Thee! thou flammiferous cutlas, which, in times past, in the hands of Luperon and Valerio, dulled your edge lopping off the head of the invaders of '83.

Hail, Machete! which on other occasions, solved the problem of an absolute independence, without restrictions, by one act, effected in a sure and bloody manner.

Oh, Machete! your work, effective, regenerative and immediate has been replaced by an act of conservation, which, at the present time is called "prudence."

What is prudence? What is its interpre-

tation? Is it to put up eternally with the opprobrium of a shameful occupation, of an occupation which implies the civil death of the Republic?

Oh Machete! Hail a thousand and one times! because thou, burying thyself in skulls, describing a circle of vindication in space, art the only one which gives that which a people not enslaved aspires to: their liberty.

Machete! thou who art temporarily sleeping the sleep of death, come forth again, brave and triumphant, swift and avenging, in order that those men, in a lethargic state at the present time may be moved; in order that through an act of honor thou mayest revive the fine tradition of '44, kept down today by the ill-omened cetacean of North America which from its maritime positions, surrounded by the waters of the Pacific, kills with one stroke the weak madrepore of the Caribbean Sea.

The writer, one Jorge A. Gonzalez, lacking the courage of his convictions, meekly explained that it was written as a fanciful conceit and that he meant nothing by it. The military authorities decided to sheath the *Machete*.

From the same office and under the same men there appeared another sheet on August 27, 1921, entitled *El Dogal* (The Halter). I quote the last part of an article on "Woman."

Our women are treading a miry path; and I see the mire already coating their fair skins.

It appears as if the women in my country had allowed themselves to be more imbued with the fatal consequences of the morbid and corrupt relations with the Yankee than the men. In the United States there are no moral statutes for the women. The women, enjoying absolute liberty, are in complete moral bankruptcy. The women there lead a very free life; hence the enormous gashes that cut the heart of morality in two. Our girls copy, perhaps unconsciously, some points presented daily before their eyes at the moving picture shows and in the lives of the mercenary women who come to my country from the north, and go

smiling towards a sad destiny, prepared, perhaps, by the infamous intentions of this nefarious intervention.

Nothing whatever was done to the writers or publishers of such scurrilous statements save to warn them and suppress the papers. The regular daily press was at the same time attacking every move made by the American Government or its representatives, asserting the most corrupt motives for every action or decision. Yet the local authorities felt powerless. The reader should not forget that much less offensive utterances in Haiti had resulted in the proclamation of May 26, 1921. It is but another indication of a lack of program at Washington.

The Dominican Reaction. Ask the intelligent Dominican for the best things done in the country by the Americans and he is likely to reply: (1) maintenance of order; (2) development of schools; (3) the tax on land; and (4) the taking of a census. Some would give the road building an important place, but more feel that this is but a continuation of an older program. Practically no one would suggest that the establishment of accounting systems and the emphasis on honest administration deserved attention. Can it be that they are skeptical of the permanency of such efforts?

Ask the same man for a bill of complaint and he will say: (1) cruelty; (2) arbitrary actions; (3) inferiority of officials; (4) multiplications of laws; (5) great increase in salaried positions; (6) failure to understand Dominican psychology.

With reference to the charge of cruelty it must be admitted that there have been many instances, particularly of what the boys would call "rough stuff." However, very few men in reality are charged with these offenses and the critic instantly admits that

they are as nothing compared to the number in the old days. He may say, as one did to me, "But that change is not due to the marines. It is the result of taking away the arms from the people." I still saw a connection. There is another side to the story too. There have been a good many assaults on peaceful marines. The Dominican youth have a pleasant habit of throwing stones when they feel relatively safe and this has led to fights. I knew one fine young marine who was stabbed and killed one evening, apparently because he stopped to speak to some women on the street. I heard of other cases where men had been killed and bodies mutilated.

The local papers tell only one side of the story. When two drunken marines in Santiago try to wreck a drug store full accounts are given, but when a young man of a prominent family is arrested for assault the papers mention the arrest and the efforts of good citizens to rescue him, but make no mention of the offense. One of the officers accused of cruelty has lived as a private citizen for several years in the very community in which the offenses are alleged to have happened and seems to be well-liked. At least when last summer it was reported that certain men were trying to "get him," some two hundred Dominicans on horseback rode into the town to protect him. I have known drunken officers to disturb an entire hotel most of the night; I have seen drunken soldiers on the trains and heard the vilest of language uttered with complete indifference to the possible presence of ladies who might understand English, and there were such. In fact these pettier (?) things are more important than actual cruelty. They are the mosquitoes which torment and irritate. They are the excuses given for the deeper feelings underneath. One writer who had

scathingly condemned the marines for cruelty, when asked for specific cases, hesitated and finally replied: "Five years ago, two marines entered my yard and killed a chicken." It was the only case he knew.

Arbitrary acts and decisions, particularly of younger officers, have caused much complaint. At the town of — two marines on mischief bent entered the premises of a well-known man. He ordered them to leave and when they refused he had two Haitian employes put them out. A little later they returned with guns and arrested the Haitians. The owner followed the party to headquarters. It chanced that the provost marshal was absent and the man in charge, an older marine, locked up the owner and the Haitians. On return of the provost marshal all were instantly discharged and the marines were ordered before a court martial. I tell this story both to illustrate the kind of things which have given great offense and to illustrate the fact that the officials have tried to punish guilty men whenever the evidence was to be had.

There have been both competent and incompetent officials. All I care to say on this point is that I believe the military officials have compared very favorably with the civilians. Let me add the testimony of an old civilian official. He said in effect: "Here in the Dominican Republic I have seen what I long hoped to see, but have despaired of seeing in the United States, that is, a body of men devoting all their energies to governing a community to the best of their ability, with no selfish interests at stake. It has been an inspiration to work with them." I share his sentiment though my personal information is meagre.

It is difficult to pass an opinion on the claims that too many laws have been passed and too many positions created. Only actual experience will

demonstrate whether the Americans have been too anxious to create in another country and under different conditions the machinery in use at home. Doubtless some modifications will be necessary. The officials tell me that one problem which has troubled them is to secure anything approaching the work done by individuals in our own country.

It is quite likely that in many instances native psychology had been ignored or misunderstood. It is difficult for men accustomed to the giving of orders to remember that they are in another country trying to help, not to supplant the natives. Yet I have met many men who displayed a most sympathetic interest in local conditions. It is also true that many natives have not wanted to help, but on the contrary, have tried to make the Occupation a failure. Conditions are not right for thorough-going coöperation.

An American Criticism. My own criticism of the operations in the Dominican Republic would lie in other directions. I have indicated that it is foolish to criticise individuals unless they are failing to carry out some clearly defined program. One can pass on the work of the collectors of customs but how can one estimate the success of a governor who must issue as orders all the laws needed in a country, unless he has men of wide knowledge and experience under him. My feeling about our administration, then, is that

its weakness is likely to lie in the organization and in the excess of devotion which each man is likely to have for his own special work. The governors have been changed too often for the best results and I do not know how much attention was paid to their peculiar fitness for the position. There seemed to me to be a lack of coördination between the different departments. For instance, I understand that the navy officials, feeling that a new dredge was needed, bought one. This dredge, however, was turned over to the Public Works Department which is charged with its operation, without previous consultation as to the type of dredge the department thought desirable. An agricultural college was started and built but it has no connection with the Department of Education. If we maintain a Military Governor what is the function of a Minister of the State Department? If the governor comes from the Navy, why should the Receiver of Customs be responsible to the Army? In other words we have assembled parts of machines on the island and have told our representatives to put them together and *make it run*. We cannot expect to be satisfied with the results regardless of the ability of the individual men. We are to blame, not they. Finally, we have made a lot of beginnings but we have carried nothing through to completion. The result is not creditable to the United States.

CHAPTER III

The Financial Situation

THE gold standard was adopted by the Dominican Republic in 1894. No gold was coined but a considerable amount of debased silver currency was issued. The rate of exchange fell to

five pesos for one dollar and this rate was accepted by the government in 1905 when the American gold dollar was accepted as the standard. The older paper currency has disappeared

but some of the silver (pesos and fractions) is still in circulation. Taking advantage of recent high prices in the year 1919, about \$150,000 of this currency was shipped and sold with a profit to the government of \$55,000 over all expenses. American currency is gradually replacing the native and large amounts of American paper money are in circulation.

Debt. The total debt as of June 30, 1921, was \$12,572,290 (I believe there are some unsettled claims not included) made up as follows:

Balance of the \$20,000,000 loan of 1908	\$8,332,300
1918 Bond issue for payment of floating debt	1,739,990
1921 Loan	2,500,000
	<hr/>
	\$12,572,290

Financial History. In 1904 the Dominican Republic found itself in a difficult financial situation, the interest on the debt being in default. Foreign loans had been made recklessly and the creditors were pressing for settlement. In accordance with the provisions of one such loan, the United States took over (October, 1904) the collection of customs at Puerto Plata. This led other countries to the idea of taking over other ports. To avoid this, the United States and the Dominican Republic entered, on the request of the latter country, in February, 1905, into a protocol taking effect April 1, 1905. An American was sent down who examined the outstanding liabilities of the country which then amounted on paper to over \$30,000,000 but which were scaled down to about \$17,000,000. The two countries entered into a new convention in 1907 and in 1908 a re-funding loan of \$20,000,000 was secured in the United States. The principal features of this convention were that all the Dominican customs should be collected by a Receiver General appointed by the President of the United

States. Not more than 5 per cent of the receipts should be allowed for the expenses of collection. The Receiver General was to pay on the first of each month to the fiscal agent of the loan (the Guaranty Trust Company of New York has served in this capacity) the sum of \$100,000 with the additional proviso that, if the revenues collected in any year amounted to over \$3,000,000, one-half of the surplus should be applied to the sinking fund for the redemption of bonds. The balance collected was to be turned over to the

Dominican Government or put in the sinking fund as the said government might direct. The first sentence of Article III is very important: "Until the Dominican Government has paid the whole amount of the bonds of the debt its public debt shall not be increased except by previous agreement between the Dominican Government and the United States." This convention has been carried out and the loan steadily reduced as the statement above indicated. Should normal conditions obtain, the entire loan will have been paid by 1925 and the financial receivership terminate.

Internal Dissensions. Internal turmoil in the country, however, coupled with the prevailing practice of government officials of buying supplies without special authority, of looting the offices of everything movable and the failure to pay official salaries, created considerable obligations. The Dominicans appear to feel that these obligations had nothing to do with the convention but it is difficult to understand, much less accept, such reasoning. In 1912 the United States was forced to

consent to an additional loan of \$1,500,000 which was finally paid off in 1917.

The internal dissensions increased rather than diminished and at the time of the intervention in 1916 there was a deficit in the treasury of some \$14,000 and outstanding claims amounting to about \$16,000,000. A claims commission was appointed in 1917 and the claims cut down. To meet these obligations the Military Government authorized the issuance of bonds bearing 5 per cent interest, not to exceed \$5,000,000. Actually, the bonds issued totalled \$4,161,300. These bonds were for twenty years and were secured as an additional charge on the revenues collected by the Receiver General. In 1920 this loan had been so reduced that it looked as if it would be all paid by the end of 1922, but the financial slump will probably delay final settlement.

In 1921, after the United States had announced its desire to withdraw the military forces, it became necessary to float a loan of \$2,500,000 at 8 per cent to pay certain obligations and finish

some of the public works. This loan was sold to the highest bidders, the Equitable Trust Company, and Speyer and Company at 96½. Much criticism was made of the high cost of this loan but comparison with other loans of about the same date shows that the interest rate was not exorbitant. The *Literary Digest* for September 17, 1921, contains the table of recent bond issues found below.

Under normal conditions the financial outlook of the country is very good and if sound financial methods are adopted it may look forward to an era of prosperity. Some discussion of the internal revenue will be found on p. 181.

During the financial depression it is doubtful if the governmental revenues will be adequate for the present budget. Many Dominicans recognize this and see also that loans may be necessary and that they can be secured only in the United States. As already indicated there are many who would welcome the borrowing of funds sufficient to finish the public works program as well as to meet current expenses.

RECENT BOND ISSUES

Country	Amount	Rate	Maturity	Offered at	Yield
France	\$100,000,000	7½	1941	95	8%
Belgium	30,000,000	8	1941	100	8.10
Chile	24,000,000	8	1941	99	8.21
Brazil	50,000,000	8	1941	97	8.25
S. of S. Paulo	10,000,000	8	1936	97	8.47
Dominican Republic	2,500,000	8	1925	100	8.

CHAPTER IV

Proposals for Withdrawal

IN the proclamation of November 29, 1916, made on the entrance of the United States into the Dominican Republic, it was stated: "The Occupation is undertaken with no immediate or ulterior object of destroying the sovereignty of Santo Domingo, but is

designed to assist the country to return to a condition of internal order which would enable it to observe the terms of the treaty concluded with the United States in 1907, and the obligations which rest upon it as one of the family of nations." The only possible inter-

pretation to be put on this is that the United States planned to withdraw its forces at the earliest possible moment.

December 23, 1920, a proclamation was issued by President Wilson which stated that the United States was ready to withdraw and suggested ways and means. Into the detailed suggestions we need not enter as they were not followed. Dominican opinion was not ready for action. Many felt that this was a political device of Mr. Wilson to embarrass the incoming administration. Nearly everyone thought that less could be secured from the administration which had ordered the intervention than from a new one politically opposed to the first. Certain remarks of Mr. Harding had been taken to indicate a very friendly feeling on his part. Moreover, there was a widespread feeling that the United States was drifting into war with Japan and that much could be gained by waiting. Hence the "Wilson Plan," as they call it, produced no other result than to start into activity the local politicians.

Harding Plan. On June 14, 1921, what is now known as the "Harding Plan" was proclaimed by the Military Governor. The essential features of this plan were:

Ratification of all acts of the Military Government; validation of the last loan of \$2,500,000; the extension of the duties of the General Receiver of Customs to cover this loan and to handle part of the internal revenues should the customs revenue be at any time inadequate; the Dominican Government to ask the United States to organize the *Guardia Nacional* to be organized by Dominicans, and by Americans (for such time as may be found necessary to effect the desired organization).

When a treaty covering these points had been drawn and accepted the military forces would be withdrawn. To make a beginning the Military

Governor called for an election but the Dominicans refused to put the machinery in motion and on July 27, 1921, a second proclamation was issued stopping further procedure "until such time as the success of an election may be assured." No action has been taken since. The last sentence in this proclamation was:

By instructions of the Government of the United States announcement is hereby made to all concerned that the procedure of evacuation of the Dominican Republic, outlined in the proclamation of June 14, 1921, and the terms of the proposed convention of evacuation were fully and carefully considered by the United States prior to the issuance of the proclamation and that the Government of the United States sees no reason for any departure therefrom.

This statement must be considered as the answer of the United States to the violent protests which were at once made in the Dominican papers. Seemingly the whole country was opposed. There were meetings and demonstrations galore. It was demanded that the troops be instantly removed and full control turned over to Dominicans at once and without any restrictions. One enthusiastic speaker at Santiago suggested wringing the neck of the American eagle and throwing the carcass in the dust. Others claimed that the method of calling the elections was unconstitutional and that it would not do to have an election as long as the marines were in the country. In order properly to evaluate this protest we shall have to consider what was taking place behind the scenes. Let us begin at Washington.

Whatever the new Administration thought of Mr. Wilson's policy, to just the extent that it disagreed, it would be careful not to make further blunders. Inasmuch as the United States could care nothing about the specific details of the plan for removing the military

forces it must have sought to secure certain things which it considered fundamental. Naturally it would discuss the plan with prominent Dominicans. Of these there was a committee at Washington headed by ex-President Henriquez y Carvajal. It is natural to assume that they told the State Department that the proposed plan was fairly satisfactory and would be accepted by the Dominicans. One of them told me that such was the case. Naturally, therefore, when the plan as issued was opposed there was no reason to change it for what assurance could be given that another plan would be more acceptable.

Native Opposition. I have reason to believe that the plan, in general outline at least, was known to the Dominican press and politicians in advance of publication. It was decided to reject it; hence, when issued, the opposition was already prepared. I suspect that some of this grew out of a desire to make impossible the later election of Henriquez y Carvajal as president, which might easily happen if he could pose as the man who influenced the Americans to withdraw. It may be merely coincidental that he soon announced that he would not be a candidate. The real local difficulty seems to have lain not in the method of calling an election but in the uncertainty as to the outcome of an election at which Americans preserved order. No political leader dared risk it; hence the deadlock. When, therefore, the United States "stood pat" on the plan the politicians were nonplussed for the net result of their antagonism was the indefinite postponement of the departure of the marines, the very thing they most wanted to accomplish. After publicly proclaiming abstention from voting as a patriotic duty it was not easy to come out and ask for an election. Although the leaders by October

had agreed to the election it had not been asked for up to the time of my departure. As a matter of fact the intelligent Dominicans were ready to ratify the acts of the *de facto* government, and to grant all the other things with the possible exception of having American officers in the Guardia. They felt that this would mean not foreign assistance but foreign control.

We must not take too seriously the arguments used in the heat of discussion. One merchant in talking to me demanded the immediate removal of the marines. I replied that I wished they could leave the next day and never return. "Oh no," he said, "you mustn't do that; all my property would be destroyed." "By whom?" I asked, and he grew strangely silent. Thinking Dominicans all know that a native government must be in existence before our troops are moved.

It might be inferred from what has just been said that all the Dominicans want us to leave. Many do. Many say that they have learned their lesson and that the day of revolution is over. Others are not so certain. There are a good many able Dominicans who want the United States to keep control of the country for twenty-five years. These men are not talking for publication for obvious reasons. They do not hesitate to criticise the Americans but they despair of peaceful and honest administration by their fellow countrymen, just now. They say, and I believe them, that there are plenty of Dominicans with adequate ability but that it is impossible to get these men into office.

Foreign Opinion. I met only one foreign resident (and he was an old Irishman just back from a year in Ireland) who did not believe that continued American control was necessary if the country was to prosper. Some of them said that things were likely to run

quietly for a few years but that if we left now it was a question of a short time only until we should be compelled to return and, to them, it seemed better that we should stay and finish the job rather than have to begin all over again later on. When I recall that among these men were Englishmen, Germans, Italians and Spaniards as well as Americans, many of whom had lived a generation in the country and had married native women, I am compelled to believe that their almost unanimous opinion should carry great weight. The reader should remember that I am not here expressing my opinion as to our national policy but that I am trying to state all the facts pertinent to a given situation.

I may be permitted to summarize my impressions. The Dominicans are not antagonistic to Americans. Quite the contrary. They are, however, critical of the policy of our government. They feel that it sent the troops either under false pretenses or through error. They admit that the Military Government has done some good things as well as some bad things and that the cases of cruelty have been incidental. It seems worse, however, to have offenses committed by foreigners than by natives. They argue that, even accepting our view that they violated the convention by allowing an internal debt to arise, the convention did not give the United States any right to intervene, as long at least as the foreign obligations were maintained. They recognize the growing economic dependence on the

United States and they will welcome better trade relations. They assure us that if we guarantee them freedom from foreign interference they will willingly enter into offensive and defensive alliance with us and forever assure us that no territorial rights will be granted to other nations. On paper at least they can make out an excellent case.

Our Future Course. The Government of the United States has pledged itself to withdraw from the Dominican Republic within a short time, provided certain things are done. Inasmuch as there is little fundamental objection to these things, in my opinion they will be accepted. In that case we shall have no option. If, however, for any reason the Dominicans refuse to accept the conditions and no harmonious phrasing is discovered which will satisfy both parties we shall have to decide on our policy and program. Unless we then withdraw unconditionally I think it obvious that we should replace a military by a civil government; that we should select competent men, and maintain and support them. We might well consider the advisability of changing our tariff relations to promote trade. Such a course has long been recommended by the present Military Government. It is, however, not within the scope of my report to enter into such questions. I am glad to say in closing that in my opinion we shall find a solution to present difficulties and shall be able to develop the most friendly relations with the Dominicans.

Some Reflections on Our Policy

HITHERTO I have limited myself as strictly as possible to a statement of conditions as I found them, giving but the minimum of historical background. In closing the report I must state a few of my own conclusions.

Insofar as I can see there are but three general policies which might be adopted by the United States with reference to Haiti and the Dominican Republic:

(1) Withdraw and refuse to accept any responsibility for what happens in either country; refuse to intervene again and refuse also to let any other country intervene.

(2) Withdraw and refuse to intervene again, but let other countries do as they please in regard to the collection of debts or the establishment of naval bases.

(3) Continue the intervention, promising to withdraw as soon as conditions make possible the restoration of autonomy.

When I went to Haiti I was inclined to feel that the first course was the best but I left convinced that it was not. There are many who believe that it is but they have often weakened their case by impugning the motives of those who differ from them. They are inclined to claim that everything done by our government is done for selfish reasons and dominated by deceit and cruelty, while accepting all claims of other nations at their face value.

The fundamental cause of the muddle in which we find ourselves in Haiti and the Dominican Republic is a lack of a clear understanding of the problem and our relation thereto. The older concept of the Monroe Doctrine was

negative. We said to Europe "hands off" but accepted no definite responsibility ourselves. This attitude on our part was, and is, a guaranty of independence to the two other countries without which it is doubtful if they could have maintained themselves. More recently we have encountered a rising insistence in Europe that we should assume responsibility or else permit other countries to intervene as they might deem best. Under this pressure we have intervened in a half-hearted sort of way. Unless we are prepared to surrender the Monroe Doctrine, and of this I see no sign, the time has come for us to assume definitely the responsibilities it entails and to work out some definite policy. Unless we do this it might be better for us to get out and stay out.

A century ago men, sensing an idea a little beyond their powers of expression, spoke glowingly of "individual rights" as if they arose and existed apart from society. We know today that rights flow from society and are determined by it. To society the individual is responsible, and when the commands of society are violated, the individual is punished; that is, his rights are limited. Society judges the individual by his actions not by his size. It recognizes that individuals differ and that the rights granted must be proportionate to the sense of responsibility developed by the individual. The insane man must have a guardian. When we deal with defective persons we do so not to punish them but to assist them and to protect others, that is, society.

Inter-Group Relationships. Just now we are passing through a similar development of thought and practice

as regards inter-group relations. "Self-determination" in international relations corresponds to the "inalienable rights" of individuals a century ago. Just as our ancestors learned that they had to draw a line between the normal and defective individuals before the law, so we are learning that international law must distinguish between groups of individuals primarily on the basis of their actions, that is, their development of a sense of responsibility. The analogy is not perfect for we must assume that any group has the inherent capacity to develop, an assumption which is not always true of the individual.

In earlier days a man might take to the wilderness or the woods and live an isolated career almost independent of society. Such a life is decreasingly possible today. Tribes, races, countries in the past have had at times but casual contact with other groups but that too has become almost impossible. We are living today in a world of closely related groups and our philosophy of group relations must change to fit the facts. It was said of old, "No man liveth unto himself," and today we must add, "Nor does any people." The old ideal that each group should be allowed to struggle along by itself, regardless of suffering or turmoil, until it learned self-control has become as absurd as the idea that a child should be allowed to grow up without moral training. The time is soon coming when no group of people will be allowed the exclusive jurisdiction of any spot of earth unless they so conduct affairs that the welfare of others is conserved. That it will take a long time to standardize these new relations is freely admitted. That there are dangers is equally evident. The point is that now nations as well as men must ask, "Am I my brother's keeper?" The welfare of Cuba may depend as much on the tariff

laws of the United States as on the labors of the Cubans.

If the outside world is to intervene the questions of when, where, how, will have to be settled. The individual is most affected by the actions of his neighbors. If a man on the adjoining place begins to shoot indiscriminately with a high-powered rifle I am immediately involved regardless of whether he intends to do me harm or not. In an organized society I invoke the law. Under frontier conditions I handle the problem myself. In the present state of world organization we must follow the program of the frontier. The important thing is the clear recognition that each community must so conduct itself as to offer no threat to the safety of others. The large groups have rights as well as the small. Those societies which desire to be considered as nations must show themselves able to maintain the responsibilities of nations.

I hear my Haitian friends say, "But we have long been recognized as a free and independent nation by the United States." True. The whale was long considered a fish, but its real nature was not changed by the mistaken classification of men. The difference between you and the whale is that you can become really free and independent if you will and that is what we should like you to do. We are not outsiders. You are a part of our problem because of your location. We have been confused in our attitude towards you as is shown by our indecision whether to call your island Haiti or Santo Domingo. We have neglected you in the past and for this we accept our full measure of blame but we are determined that the future shall tell another story. Your old programs of revolutions and indiscriminate borrowing of money must stop, not only because it checks your development but because

it has become a source of danger to us. Just now, to be sure, there is little danger of interference by another nation but we do not know what fifty years may bring forth and we have decided that it is easier to keep other nations out than to put them out.

Every American with whom I have talked would prefer to let the island go its way without interference. I have never met anyone who desires to destroy the sovereignty of either government and no one ever suggests that the island should be absorbed into the United States. America is ready to continue its guaranty of independence but it seems ready also to insist on certain reforms. Now if we may grant the sincerity of the government at Washington, and I see no reason to question it, what shall we do, for it is evident that we will not let other nations intervene.

A Suggested Policy. I believe the United States should again declare to the world:

(1) That it will maintain the integrity of Haiti against itself as well as against the rest of the world:

(2) That it asks for no territory from Haiti but assumes that in any future emergency Haiti will grant the use of any facilities needed as a return for the promise of the United States to protect it against invasion:

(3) That for the time being the United States proposes to maintain law and order in Haiti and to try to put the country in a position which would make possible an orderly future development.

Such a statement should at once be followed by the sending of a consul to Haiti vested with full authority, to whom all other American representatives should be subject. Provisions should be made for the refunding of the Haitian debt and I personally feel that our tariff laws

should be modified to permit the entrance of Haitian (and Dominican) goods on the same terms as those of Cuba.

The objections to this policy as generally stated are that the Haitians do not want it and that we should find that closer economic relations would lead to a demand for permanent control, which would be for the interests of the supposedly wicked capitalists. In my opinion the great majority of the Haitians would welcome such a program and the fact that some would not should not be allowed to determine our actions. I do not think that Haiti is fitted for self-government at the present time. I do not ignore the dangers of this policy but I think they are less than those of the opportunist program of the past. The claim that our intervention in Haiti was dictated by financial interests can be made only by those who are ignorant of the facts. It should not be overly difficult to prevent improper exploitation in the future. Just now Haiti needs capital and needs it badly. The fact that we have not accomplished all that we should in Haiti and that we have done some bad things are in themselves no arguments whatever that we should now withdraw.

Difference in the Dominican Situation. The situation as regards the Dominican Republic is different in that we have offered to withdraw under certain conditions and we must keep our pledge if the conditions are accepted. While the Dominicans are further advanced than the Haitians their future is somewhat problematical and we may find ourselves forced to intervene again. I hope not, but I am not certain. I must confess that I find difficulty in understanding the offer to withdraw. The fact is that the United States made its first great blunder when it allowed Caceres to be over-

thrown and replaced by a revolutionary government. The second blunder came when it recognized the \$1,500,000 internal debt under Nouel. These two facts convinced the Dominican politicians that they could do as they pleased. We did not intervene when we should have done so. Assuming, as I have, that Washington felt justified in the original intervention it is not easy to see what changes have resulted which now justify withdrawal. If we entered to enable the establishment of a stable government in order that treaty pledges might be kept, before we leave such government should be more in evidence than it is now. If we entered because of disturbed conditions during the War why did we not withdraw long ago? As for myself, as elsewhere stated, I wish we might finish the public works program ere we leave. With this idea I know many Dominicans are in agreement.

If the United States decides that it must adopt a more constructive policy with reference to these countries today, to others tomorrow, perhaps, it should try to remedy certain weaknesses in our home situation. For instance, we should be very careful how we send to Haiti as our representatives American Negroes, regardless of their personal qualifications. Such action is not welcomed by the Haitians. They do not want to be mixed up in the race problem of this country.

A more serious matter grows out of the fact that five and six years ago at the request of the State Department our marines were sent to the island. During all this time Congress has never directly approved or disapproved the action. It is foolish to claim as has been done that Congress has not indirectly approved, for it has known the facts and has voted the necessary appropriations. I feel, however, that no department of government should

be allowed to involve the entire country in such fashion without the express approval of Congress.

The Selection of Leaders. It seems to me also that we should devise ways and means to attract into the State Department able men who might find there permanent careers. It does not make for our peace of mind to find the immediate control of such important matters in the hands of a succession of young men. An inexperienced man should not be in a position to determine whether the report of the commanding officer in Haiti or the Dominican Republic should or should not be shown to the Secretary of State. The men on the ground are vastly better informed of actual conditions than any office man can be, but we can at least make sure that a man of corresponding ability and experience sees his recommendations. It is, of course, the system and not individual men that I have in mind.

Furthermore I believe that more attention should be paid to the selection of civilian and military leaders with special aptitude for the particular tasks to which they are assigned. The Marine Corps is intended to be a fighting body and we should not ask it to assume all sorts of civil and political responsibilities unless we develop within it a group of specially trained men. I consider it a foolish and dangerous thing to send raw recruits, whether men or officers, into places where their actions have definite and important political results. I know that military men are not always to blame for the limitations under which they work. Because of some law the marines in Haiti are compelled to spend thousands of dollars for tents which rot out in a year instead of building at a fraction of the cost simple cabins of palm-boards which would be much more permanent and convenient.

Our Increased Responsibility. One of the results of recent years is the greatly increased responsibility of the United States. I have tried to indicate the difficulties we have encountered in the formulation of policies which will help us to carry this responsibility. I have tried to be both honest and fair. While I have been critical both as regards our activities and those of the Haitians and Dominicans I trust I have not been either hyper- or hypo-critical.

I look back with pleasant memories to my months on the island and I look forward towards the coming of better and more cordial relations between the respective governments. Everyone must sympathize with the desire of the Haitians and Dominicans to be free and independent and our constant effort should be to help them realize their desires by the cultivation of that sense of responsibility without which freedom and independence are empty terms.

Book Notes

THE following is a brief list of the best books on Haiti and the Dominican Republic. Unfortunately a number are out of print and are hard to find. With one or two exceptions they deal with the economic, social or political life of the people. No attempt is made to list the many magazine articles of recent years but a few reprints in pamphlet form are included. One who desires to get details of recent events will not need to be told to look in the reports of the Departments of Navy, State or Commerce, the Bulletins of the Pan-American Union in our country; or similar publications of the other governments.

HAITI

Colonial times:

Moreau de St. Mery, M. L. E. *Description Topographique, Physique, Civile, Politique et Historique de la Partie Française de L'Isle de Saint Domingue*, 2 Vols. Philadelphia, 1797. A mine of information.

Stoddard, Lothrop. *The French Revolution in Santo Domingo*. New York, Houghton, Mifflin Co., 1914.

Wimpffen, Baron, F. A. S. *de Saint Domingue à la Veille de la Révolution*. Edited by Albert Savine, Paris, 1910. (Louis Miebaud.)

An English edition was issued in London 1797 under the title, *A Voyage to Santo Domingo in the Years 1788, 1789, 1790*. Probably the best contemporaneous account.

Recent times:

Tippenhauer, Louis Gentil. *Die Insel Haïti*, 2 Vols. Leipzig, 1892. In many ways the best book on Haiti where the author was born and lives.

St. John, Spencer. *Haiti, or the Black Republic*. 2nd edit. N. Y., 1889. Extremely critical. Author an English official long resident in Haiti.

Aubin, Eugene. *En Haïti. Planteurs D'Au-trefois, Nègres D'Aujourd'hui*. Paris,

1910. Author formerly French Minister to Haiti. One of the very best recent accounts.

Pritchard, H. V. H. *Where Black Rules White*. London, T. Nelson & Sons, 2nd edit. 1910.

LaSelve, Edgar. *Le Pays des Nègres*. Paris, 1881. Good, illustrated account of visit with many historical references.

Vibert, Paul. *La République D'Haiti, son Present, son Avenir, Économique*. Paris 1895. Berger Levrault et Cie.

Kuser, J. D. *Haiti*. Boston, R. C. Badger. 1921. A sympathetic sketch of a recent visit.

The three following books by Haitians may be considered attempts to answer Spencer St. John for they attempt to portray the best in Haitian life and at times are too laudatory.

Prince, Hannibal. *De la Réhabilitation de la Race Noire*. Port-au-Prince, 1901.

Leger, J. H. *Haiti, Her History and Her Detractors*, New York. The Neale Publishing Co., 1907. There is a French edition also. Author was very prominent in Haiti.

Vincent, Stenio. *La République D'Haiti (Telle qu'elle est)*. Bruxelles, Société Anonyme d'Imprimerie, 1910. Illustrated description of country with many details.

The following are less general and deal with more detailed aspects. All were written by Haitians.

Marcelin, L. J. *Haiti, Ses Guerres Civiles-Leurs Causes, Leurs Consequences Présentes, Leur Consequence Future et Finale*. Paris, A. Rousseau, Ed. 1892. In a class by itself as a calm, critical study of fundamental political problems.

Féquièrre, Fleury. *L'Éducation Haitienne*. Port-au-Prince, 1906. A general survey of social and family matters. Last part on schools.

Marcelin, Frederic. *Bric-a-Brac*. Paris (Société Anonyme de Imprimerie Kugel-man) 1910. Political notes of about 1904 at the time of the bank scandal. Author was considered one of the ablest men of the country.

Magloire, August. *L'Erreur Révolutionnaire et Notre État Socialo Port-au-Prince 1909*. A thoughtful work.

Vival, Duraciné, *La Littérature Haïtienne* (Essais Critiques). Paris, Sansot et Cie. 1911. Good brief account of Haitian writers.

There are a number of stories by Haitian writers which give an excellent account of Haitian society and which have decided literary merit as well. The best that I have read are:

Marcelin, Frederic. "Epiminondas Themistocle Labasterre."

Hibbert, Fernand. "Les Thazar" 1907, "Romulus" 1908, "Sena" and "Masques et Visages" (short stories) 1910, all published at Port-au-Prince. Author is now, 1921, Minister of Public Instruction.

Finally there remains to be mentioned a book which is anathema in Haiti but which is a collection of facts, largely humorous, collected by the author while a teacher in Haiti and which is worth reading.

Texier, C. *Aux Pays des Généraux*. Paris, C. Levy, 1891.

Haiti, Chapters in larger books, pamphlets, etc.

Franck, Harry A. "Roaming Through the West Indies." New York, The Century Co., 1920. The best recent sketch.

Inman, S. G. "Through Santo Domingo and Haiti." Pub. by Committee on Cooperation in Latin-America, 25 Madison Ave., New York City, 1920.

Johnson, James Weldon. "Self Determining Haiti." (A reprint of four articles.) *The Nation*, New York, 1920.

López, J. "La Civilizacion en Haiti." A very critical article on U. S. intervention. *La Reforma Social*, New York, Agosto, 1921.

"Renseignements Financiers, Statistiques et Économiques sur La République D' Haiti." Issued by the Banque Nationale de la République D' Haiti. 1920. Tabulated statement of loans, etc.

Secretary of the Navy, Annual Report, Washington, 1920. Reviews military phases intervention.

"Union Patriotique d' Haiti. Memoir of delegates on the Political, Economic and Financial conditions existing in the Re-

public of Haiti under the American Occupation." New York. *The Nation*, May 25, 1921. The most complete statement of Haitian complaints.

"Exposé Général de la situation de la République D' Haiti." Issued yearly at Port-au-Prince.

THE DOMINICAN REPUBLIC

Early period:

Del Monte y Tejada, Antonio. *Historia de Santo Domingo*. Santo Domingo, 1890. (First pub. Habana 1893.) Contains journal of Columbus and outlines history down to 1794.

García, José Gabriel. *Compendio de la Historia de Santo Domingo*. 2nd edit. 3 Vols. Santo Domingo City, 1893, 1894, 1896.

Novel, Carlos. *Historia Ecclesiastica de Santo Domingo*. Rome, 1913.

Recent period:

U. S. Commission of Inquiry to Santo Domingo. 42 Cong., 1st Sess. U. S. Senate, Exec. Doc. No. 9. Washington, Gov't, Prt. Office, 1871.

Hazard, Samuel. *Santo Domingo, Past and Present, with a Glance at Hayti*. New York, Harper & Bros., 1873.

Schoenrich, Otto. *Santo Domingo, A Country with a Future*. New York, Macmillan & Company, 1918. Beyond doubt the best recent work.

The Dominican Republic. Issued by office, Naval Intelligence, of U. S. Navy Department. Washington, 1916. An excellent illustrated handbook marked "confidential" for some non-apparent reason which should be made generally available.

Escritos de Espaillat (Articulos, Cartas y Documentos oficiales.) Memorial volume to President Ulises V. Espaillat. Santo Domingo, 1909.

Stories worth knowing are:

Galvan, Manuel de J. "Enriquillo" (*Leyenda Historica Dominicana*). 1503-1533. Santo Domingo City, 1882. One of the best historical novels of Spanish America.

Cólon, Jayme. *El General Babieca*, 2 Vols. Puerto Plata, 1916 and *El Cabo Chepe*, 1918. Colloquial. Author a well-informed man.

- Cestero, Tulio M. *La Sangre* (una Vida bajo la Tirania). Libreria Paul Ollendroff, Paris, undated.
- Godoy, Frederico García. *Rufinito, Alma Dominicana*. Santo Domingo. Considered the strongest of present writers. *Chapters, Pamphlets, etc.*
- Franck, Harry A. "Roaming Through the West Indies." New York, The Century Co., 1920.
- Inman, S. G. "Through Santo Domingo and Haiti." Pub. by Committee on Coöperation in Latin America, 25 Madison Ave., New York, 1920.
- Jones, Chester Lloyd. "Caribbean Interests of the United States." Appleton & Co., New York, 1916.
- Latané, John H. "The United States and Latin America." Doubleday, Page and Co., New York, 1920.
- Rosa, Antonio de la. "Les Finances de Saint Domingue et Le Controle Américain." (A. Pedrone Ed.) Paris, 1915.
- Verrill, A. H. "Port Rico, Past and Present, and Santo Domingo of Today." New York, 1914.
- "Santo Domingo. Its Past and Present Conditions." 1920. Description handbook issued by the American Occupation.
- Critical surveys of local conditions by Dominicans are rare but there should be mentioned:
- López, José B. *La Paz en la Republica Dominicana*.
- Peynado, Francisco J. *Deslinde, Mensura y Particion de Terrenos*, in *Revista Juridica*, Santo Domingo, 1919. Author one of ablest lawyers in the country. *Ibid.* *Por El Establecimiento del Gobierno Civil en la Republica Dominicana*. Imp. De Cuna de America, Santo Domingo, 1913.
- Mella, Moises García. *Por El Establecimiento del Gobierno Civil en la Republica*. Imp. Cuna de Am. Santo Domingo, 1914.
- Report of the Department of State, of Finance and Commerce of the Dominican Republic for the Period 1916-1919. Santo Domingo, 1921.* A valuable summary of facts.

Book Department

Waste in Industry. Published by the Federated American Engineering Societies. Pp. 406. Price, \$4.00. New York: McGraw-Hill Book Co. Inc., 1921.

The conclusions of this report ought to dampen the enthusiasm of the most outstanding believer in the reputed efficiency of American industry. Many of its findings have been known to a select few for some time and many of its recommendations have been previously made by specialists. Much of the importance of the report is derived from the cumulative character of its evidence, which attempts to evaluate a summary of waste in industry from all contributing factors; and its importance is no less due to the impartial and authoritative source of the report. The Federated American Engineering Societies was organized in the latter part of 1920 and selected this study as one of its first tasks. The plan was to make a survey quickly as a basis for action and as a foundation for other studies. The present report, completed within less than five months, covers representative establishments in six industries, namely, building trades, men's ready-made clothing, boots and shoes, printing, metal trades and textile manufacturing. In addition to these industry studies, seven reports were prepared, dealing with nation-wide or general aspects of industrial waste, such as unemployment, industrial accidents, health and eye conservation.

In reading over the summary of findings in this report one is reminded of Mr. Brandeis' statement, now several years old, that the railroads could save \$1,000,000 per day on purchases and it appears that, despite the storm of disapproval with which it was met in certain quarters, that statement may well have been true. Waste in industry is found by the engineers to be attributable to (Report p. 8):

1. Low production caused by faulty management of materials, plant, equipment and men.
2. Interrupted production caused by idle men, idle materials, idle plants, idle equipment.
3. Restricted production caused intentionally by owners, management or labor.

4. Lost production caused by ill-health, physical defects, and industrial accidents.

On the question of responsibility, the report concludes that over 50 per cent of existing waste is due to management, less than 25 per cent to labor and least of all to outside contacts.

In arriving at the quantitative aspect of waste, comparison was made not with some impractical ideal but with standards that have been established and are actually being attained. The fact that the field work of the report was done by experienced engineers thoroughly familiar with the industries they were studying lends additional force to their findings. The following quotations tell the story in part:

The loss from idleness in shoemaking occasioned by waiting for work and material amounts to some 35 per cent of the time.

Among current magazines there are 18 variations in width and 76 in length of page or column. Among trade paper publications there are 33 variations in width and 64 in length. Among newspapers there are 16 in width and 55 in length. These variations cost the public not less than a hundred million dollars each year.

The average loss in clothing factories during running time, not including shut-downs, is between 30 and 35 per cent. Fixing the value of annual output in the men's ready-made clothing industry at \$600,000,000, it should be relatively easy to save three-quarters of a million dollars a day, an increase of 40 per cent in effectiveness.

Clothing factories are built 45 per cent larger than is necessary; printing establishments are from 50 per cent to 150 per cent over-equipped; the shoe industry has a capacity of 1,750,000 pairs of shoes a day, and produces little more than half that number.

Pressroom workers have been known to insist that a compositor be brought from the composing room to make the change to the next imprint, while they stand idly by.

Structural steel workers under certain rules must bring the steel from the unloading point to the building site, thus doing laborers' work at high cost.

The report is marked "first edition." It is to be hoped this implied promise is ful-

filled; that this is just a beginning and that the American public, industrial management and labor will become so thoroughly awakened to industrial waste and to possibilities of elimination as to bring about concrete results in the future.

BRUCE D. MUDGETT.

University of Minnesota.

WHITE, PERCIVAL. *Market Analysis. Its Principles and Methods.* Pp. 340. Price, \$3.50. New York: McGraw-Hill Book Co. Inc., 1921.

This book will probably meet with a ready sale for it is written in a style to attract the general reader and it is filled with suggestions that may be used to advantage by the business executive who is searching for means to rehabilitate his dwindling business. It should be in demand, also, in courses in marketing in colleges and universities.

The first few chapters are devoted to methods of collecting, analyzing and presenting the data obtained from market surveys; the later chapters, to the data that is to be obtained. The discussion of the questionnaire method of gathering information, in one of the earlier chapters, is good and is reinforced by a number of examples of questionnaires that have been used in actual market surveys. Indeed, throughout the book the author shows his familiarity with many surveys that have been made.

That part of the book dealing with the data to be gathered discusses in turn the product, the company, the industry, the company's competitors, its customers; etc. These chapters, in a very satisfactory way, offer suggestions as to the means by which the condition of trend of an industry may be determined and the position of a particular company within the industry established.

A very excellent feature of the book, which might well be copied by other authors, is the practice of inserting at the beginning of each chapter a skeleton outline of the contents. The author states in his preface that it is his intention to make revisions from time to time and to keep the book up to date.

To statisticians, I suspect the book will

appeal rather as a sign-post than as a set of traffic regulations. Its emphasis is more on the nature of the market than upon methods of analysis. But such emphasis is probably more needed in this field than an extended exposition of the statistician's art. Indeed the author has some misgivings in regard to statisticians, for he says, "There is danger in becoming too technical in interpreting figures and fact" (p. 61).

BRUCE D. MUDGETT.

University of Minnesota.

POSTGATE, R. W. *Revolution from 1789 to 1906.* Documents selected and edited with notes and introductions. Pp. xvi, 400. Price, \$4.50. New York: Houghton Mifflin Company, 1921.

Mr. Postgate is well known to students of radical movements because of his other volumes, one of the most recent being *The Theory of Bolshevism*. In the volume under consideration he has presented a selection of documents that are admirably chosen and arranged, and prefaced with suitable introductions. The editor's sympathies could not be entirely concealed, but this difficulty he frankly acknowledges in the preface. After all, a selection without any point of view would be a poor one, and only a sympathetic editor should undertake the task of selection. A hostile one would probably fail to present what is needed—a picture of the revolutionary impulse, the soul of the movement. Also it should be noted that some of the decisions as to dates and documents are of necessity arbitrary.

The documents chosen are grouped into six chapters dealing with the French Revolution of 1789, the Intermediate Period, the Revolutionary British Working Class, 1832-1854, the Revolutions of 1848, the Commune of Paris and the Russian Revolution of 1905. The unreflecting conservative is destined to a rude shock when he finds the first selection in the volume is a section of the American Declaration of Independence. It is introduced, the editor explains, because its statement is of those principles which inspired the French Declaration of the Rights of Man. The fourth chapter, dealing with incidents from 1848 to 1855, prefaced by the Communist Manifesto and covering

France, Hungary, Italy, Germany and Ireland, is quite naturally the longest.

Not all critics would agree with some of the editor's judgments, as, for example, his belief that the character of the revolution in Europe changed somewhat abruptly in 1848 from bourgeois to proletarian. But such criticisms should not obscure the fact that Mr. Postgate has prepared a most valuable and usable collection of documentary material, and that the publishers have presented it to the public in a very attractive dress.

ERNEST MINOR PATTERSON.

University of Pennsylvania.

RATHENAU, WALTER. *In Days To Come*. Pp. 286. Price, \$5.00. New York: Alfred A. Knopf, Incorporated, 1921.

Walter Rathenau has just returned to the Wirth Cabinet as Foreign Minister. As a leader in German business and politics, his views would deserve our thoughtful attention were there no other reasons for noticing them. But, in addition, his influence has been a powerful one in the reconstruction of German industrial life, and the economic organization of Germany today clearly reflects his views expressed a number of years ago in his *Die Neue Wirtschaft* and *Die Neue Gesellschaft*.

This volume is a translation of *Von Kom-menden Dingen*, the most widely read of his numerous books, and has been well translated by Eden and Cedar Paul. In it Rathenau shows, as in his other writings, that remarkable and rare combination of the business man, the statesman and the idealist. To him the existence of a vast proletariat is a cause for shame and indignation. The nineteenth century brought a vast economic mechanism—materialistic, coercive, ruthless and antagonistic in its operation. Its task is "to nourish and maintain in our teeming race"; but the thing needed is "a re-guidance of the spiritual," for "the heart is the supreme arbiter of all human happenings" and "all earthly activities and aims find their justification in the expansion of the soul and its realm." Our "goal towards which we strive is the goal of human freedom." Education, the corporate form of organization and the wider diffusion of administrative experience

have brought threats to "the hereditary stratification of capitalism."

But orthodox socialism is as senseless and as abhorrent to him as the crumbling structure of capitalism. Instead, our aim should be socialization, to be achieved by sweeping economic modifications, by a changed morality and by a will to achieve the goal. In this we must assent to the grant of power to the state, which "will become the moving center of all economic life." This state, however, will be vastly different from the one we know and will be a much more effective instrument for world welfare.

The volume is stimulating and inspiring. It is to be hoped that our publishers will rapidly increase their reprints and translations of leading European volumes. Wide reading by Americans of the great books of other countries will be one of the most helpful influences that could be injected into our thinking at this critical time.

ERNEST MINOR PATTERSON.

University of Pennsylvania.

JONES, WALTER. *Capital and Labor, Their Duties and Responsibilities*. Pp. viii, 168. Price, 2/6. London: P. S. King & Son, Ltd., 1921.

Every now and then some layman, with inadequate economic training, becomes so imbued with a pet scheme for healing the industrial ills of society that he cannot refrain from putting his ideas before the public. Mr. Jones lays himself open to severe criticism in this book, which bristles with economic fallacies. He believes that the distraught condition of world affairs today is largely due to two causes: the lack of a brotherly spirit between capital and labor, and the exaction of usurious rates of interest by the owners of capital. His genial recommendation for better coöperation between workers and employers is commendable, though hardly original; but his suggestions for stopping the "drain upon the nation" caused by high interest rates are ludicrously naïve. He would by law prohibit a rate of interest on loaned capital in excess of 2 per cent, and would have the government of Great Britain aid in reducing the rate of interest by supplying an abundant quantity of "liquid capital" for British industry in the form of an issue of

paper money, recommending not less than one billion pounds of "credit notes" for the purpose! Further comment is superfluous. The book is obviously a vehicle for exploiting the author's mischievous ideas on interest and money, which cannot be too positively condemned.

RAYMOND T. BYE.

University of Pennsylvania.

SIMPSON, KEMPER. *Economics for the Accountant*. Pp. 206. Price, \$2.00. New York: D. Appleton & Company, 1921.

The publication of this volume shows the trend of accounting thought at the present time. During the last decade, while there has been a wealth of literature upon accounting subjects, there has been little written, in book form, dealing with accounting as an application of economics. The student of accounting will find many and diverse text books upon the treatment of transactions in books of account and upon the preparation of business statements. He will also find a complete assortment of published material setting forth the theory of accounts, but after diligent search he will find but little literature written for the express purpose of discussing the relation between economic conditions and their expression in books of accounts and statements. Mr. Simpson attempts to present this relation and, taking all things into consideration, he is successful.

The thought in the mind of one who begins to read this book, namely, that no more than an outline of economic theory can be given in a book of two hundred pages, a portion of which is specifically devoted to accounting, is found to be true as he progresses through the volume. One must take for granted that the economic theories expressed are correct. There is no space for discussion. At the present stage in the development of accounting literature this is probably an advantage because many of those who study accounting are sufficiently short-sighted to avoid long discussions upon theory in order that they may leap at once into practical applications. It is to be hoped that such persons will read this book.

Concerning the theories expressed in the

volume, it may be stated that the author has conformed to the modern school of thought in both economics and the application of economics in accounting. It is to be supposed that there will be some who will not agree with all of the theories presented; notably those concerning the inclusion of interest in manufacturing cost, and value. This may be expected in the handling of any subject which is not an exact science.

The arrangement of the material in the book might be improved upon. The references to subsequent pages and chapters are too frequent. These references cause confusion in the mind of the reader instead of assisting him toward continuity of thought. Appendices I and II, upon "Interest as a Part of Cost," and "Disputed Items of Cost" might better have been placed as a portion of the chapter upon the doubtful elements of cost. The reviewer also believes that the theory underlying the handling of joint-costs is placed at a point where the reader is unprepared for so technical a discussion.

The author is not conclusive in his theory of handling bad debts as a deduction from gross sales: and in his differentiation between the accountant's classification of cost and the economist's classification of cost he is rather willing to concede the submerging of the underlying economic theory in its presentation upon the books. Furthermore, there seems to be more or less confusion concerning the use of the term "accounting cost." It is not clear whether the author means to use it in the sense of manufacturing cost or total cost. The author is, however, to be commended for the stand which he has taken concerning the appreciation of capital goods. Some theorists have permitted their theory to over-rule their better judgment in this connection.

It is to be hoped that the publication of this book will influence future writers in order that there may be sufficient literature for the student of economics who desires accounting knowledge, and for the student of accounting who desires economic knowledge.

THOMAS A. BUDD.

University of Pennsylvania.

UNITED STATES INTERDEPARTMENTAL SOCIAL HYGIENE BOARD. *Annual Report*, 1921. Pp. 198. Washington: Government Printing Office, 1921.

FUNK, JOHN CLARENCE. *Vice and Health*. Pp. 174. Price, \$1.50. Philadelphia: J. B. Lippincott Company, 1921.

MANGOLD, GEORGE B., PH. D. *Children Born Out of Wedlock: A Sociological Study of Illegitimacy, With Particular Reference to the United States*. Pp. x, 214. Price, \$1.50. Columbia, Missouri: University of Missouri Studies, Volume III, Number 3, Social Science Series, 1921.

The perversion and prostitution of so fundamental a factor in life as the sex impulse, together with the dire consequences, constitute a chapter of appalling horror in the history of human experience. There are at least three major parts to this chapter, indicative of three more or less distinct problems that grow out of the misguidance of this normal physiological function. They are as follows: first, the venereal diseases—a problem of health and sanitation; second, the commercialized aspect—a problem of a highly organized business for exploitation and profit; and third, sexual immorality—a problem of individual conduct. Listed above are three publications, each of which bears primarily upon one of these problems. They are not exactly pleasant reading. But the tragic reality of that which they describe, and the stern necessity of what they prescribe, sharply challenge the thoughtful reader.

During 1918, the year of the influenza epidemic, influenza was the cause of 22 per cent, venereal diseases the cause of 12 per cent, of the days lost on account of sickness by soldiers in the entire American army. Such data serve to explain why the federal government, which first evidenced an interest in this whole field with the passage of the Mann Act in 1910, was led to cooperate actively with certain volunteer civilian organizations in 1916, when American troops were located on the Mexican border, and, finally, to create the Interdepartmental Social Hygiene Board on July 6, 1918, to assume active leadership in the "aggressive intergroup hygiene of the venereal

diseases." The first of the above-mentioned publications is the last annual account of the stewardship of this agency which, despite considerable opposition, has continued to function since the close of the War. The report of its four-fold activities—scientific research, educational research, protective medical measures and protective social measures—is distinctly encouraging, for it promises that, under federal leadership, two of the most dangerous and destructive diseases known to mankind are emerging out of the limbo of quackery and neglect.

The chief source of infection are the professional prostitutes. At least ninety-five per cent of their number, according to various vice commission reports, are venereally diseased. It is with the organized system, of which the prostitute is the visible representative, that Mr. Funk, who is director of the Bureau of Protective Social Measures, Pennsylvania State Department of Health, deals in his book. After briefly summarizing the causes, manifestations, business aspects and results of commercialized vice, he considers what in his judgment are the best social measures for meeting the problem. Good government, law enforcement in local communities, extensive popular sex education—these are the heart of the program suggested. A brief outline of medical and medico-legal measures for the treatment of the venereally diseased is included.

The value of this little book lies not in any contributions to our knowledge of the subject, but in the fact that it is a short, sane and readable summary of the essential facts regarding prostitution, its relation to disease, and what ought to be done in the concrete in every community that wishes to make progress in dealing with the problems involved.

"During the last twenty-five years two books dealing with illegitimacy have been written in the English language." Dr. Mangold has made a valuable contribution to a scant literature on an important social problem. His title, however, is misleading. Not the child born out of wedlock, but rather its unmarried mother is the main object of the author's study. "He is

anxious particularly to present information concerning causes and present methods of treatment" (page ix).

"The causes of illegitimacy," he says (page 184), "are largely the causes of immorality . . . the problem of illegitimacy is therefore similar and yet not identical to that of immorality. . . . It is the belief of the writer that ignorance and low ideals are the chief causes of illegitimacy" (page 41).

Relative to treatment he insists that illegitimacy "cannot be adequately handled except by persons animated with lofty social ideals and trained to work out each individual problem" (page 90). This is just what he does not find. An overwhelming proportion of cases are handled either by commercial agencies whose traffic in infants and exploitation of mothers indicates something far removed from lofty ideals, or by public and private philanthropic agencies whose methods are antiquated, who lack social perspective, and to whom effective case-work is unknown.

The book is a calm setting forth of a depressing situation. The work shows an apt combination of scientific analysis and deep sympathy. There is an excellent bibliography.

JAMES H. S. BOSSARD.

University of Pennsylvania.

TOSDAL, HARRY R. *Problems in Sales Management*. Pp. 672. Price, \$5.00. Chicago: A. W. Shaw Company, 1921.

Modern business is becoming increasingly conscious of the necessity for a more scientific approach to the problems of distribution. Professor Tosdal's book, entitled *Problems in Sales Management*, consists in an almost exhaustive treatise of the selling history of various businesses throughout the United States. Such topics as the "Location of Sales Headquarters," "Location of Ware Houses," "Sales Departmentalization," "Scope of Research and Planning," "Qualifications of Salesmen," "Selection of Salesmen," "Market Analysis," "Districting Salesmen," "Sales Manual," "Paying Salesmen," etc., are suggestive of the comprehensive grasp of the interrelated problems confronting administrators in their search for principles to meet

the competitive and efficiency demands of modern sales management. Professor Tosdal's analysis of these factors is suggestive of "a method which employs the habit of making decision upon facts and evidence rather than upon guesswork."

Practical problems for student analysis have been selected with a view "to bring out the high spots in sales management and are all based upon the experiences of going concerns."

The arrangement of materials and the problems suggested aim to develop an appreciation of the significance of the functional place of principles in relation to increased efficiency in sales administration. This book in its concrete presentation of actual working situations should be invaluable to present-day sales administrators and executives who have the mental capacity to appreciate the value of utilizing the experiences of others.

Because of its abundance of verifiable material and accuracy of analysis this text should come to have a definite place in the study of modern selling problems. From a university point of view involving instruction, however, its material implies a background much more elemental and fundamental than the writer discloses. In other words, this text is more nearly adapted to graduate students who have had intensive courses in more sciences than psychology. Modern distribution implies physiology, biology, sociology and political science. Administrative sales management will never attain the dignity of professionalism until sales policy is based on the correlated flowering concepts involved in the humanities. The technique of the subjective aspects is more suggestive in this book than a reality. However, Professor Tosdal's mastery of the objective phases of sales management is complete. The future will have as its contribution to the field of distribution that master mind, capable of selling administration, whose outlook is capable of unifying the subjective individual growth concepts with those of objectivity. The correlation of these two processes, the subjective and objective, gives freedom so to create in terms of principles that business organization may function for the common good of consumer, distributor and manufacturer.

Texts similar to *Sales Management* are pioneer books pointing the way to better selling methods. Our educational problem is to get these books related to the student relative to his ability to grasp and scientifically apply the principles suggested.

When the field of distribution shall have succeeded in getting its principles of action analyzed in relation to the science of economics and the art of business, Professor Tosdal's book will be found to have been fundamental in making us realize the facts out of which principles and theories of modern sales management must necessarily evolve.

HERBERT W. HESS.

University of Pennsylvania.

POWELL, FRED WILBUR. *The Railroads of Mexico.* Pp. vii, 226. Boston: The Stratford Company, 1921.

The United States as a world power must perforce be interested in other nations. A keen interest in our neighbor to the south, however, long antedated our active participation in international affairs. American capital invested in the country south of the Rio Grande has served to direct attention to the Mexican government and its resources, especially during the last ten years, when changing governments have jeopardized both their national and foreign investments.

So much has been written on the Mexico of the last decade that it is difficult to find a phase of the subject not touched upon. Such a phase, however, Mr. Powell finds in railroads and their condition in the period following the presidency of Porfirio Diaz. The discussion is divided into three parts. The first shows the policies of Diaz by which he encouraged the building of railroads with foreign capital. At the close of his régime nearly a billion dollars of American capital had been invested in Mexico, about two-thirds of which was connected with railroads. American capitalists owned more than four-fifths of the entire investment in the 16,000 miles of Mexican lines. Part I shows, also, the conditions under which the lines were built, the difficulty of operation during the period 1910-1920, the service maintained and the claims of American investors for damages incurred during

this decade. The accounts consist of quotations from the annual reports of railroads, from presidential messages, legal documents and press reports.

Considering Mr. Powell's knowledge of railroads in general, and his first-hand acquaintance with those of Mexico, he could himself have given a better digested, and consequently more valuable, contribution than the one on pages 25-67, made up, as it is, largely of page after page of quoted statements. The concluding chapter of this part is a more constructive piece of work, pointing out the dependence of Mexican railways upon foreign capital and the necessity for political stability before the transportation problem can be solved. Part I is the most valuable section of the book, since it shows the present state of the lines after years of disturbing conditions.

The second part of the work is a history of the beginning of Mexican transportation and a detailed account in some ten chapters of the development of as many separate systems in the country. It forms a background for the more interesting revolutionary period of the last ten years, described in the earlier pages. These ten short chapters (averaging less than three pages each) show the character of railroad concessions in Mexico, the early participation of American interests, and the more recent tendency to free themselves from foreign control.

Mexican railroads have been closely connected with political affairs from the early days of Diaz to the Obregon government. Subsidies have been granted to practically every line in the country and government control of all lines has been the ultimate aim. The results, both political and economic, of this national policy the author presents in Part III. Railroads were built to afford transportation either to a port or to the American border, but they have not developed the country as was expected. High freight rates, excessive cost of construction and the general apathy of the people have kept Mexican lines from becoming great arteries of trade.

An excellent bibliography of twenty-four pages, covering books, periodicals and legal documents, is appended to the study.

HARRY T. COLLINGS.

University of Pennsylvania.

TURNER, JOHN ROSCOE. *The Ricardian Rent Theory*. Pp. xix, 221. Price, \$4.00. New York: The New York University Press, 1921.

Students of the past generation have paid scant heed to early American economists. The period before the Civil War, and even the post-war decade with its many monetary and tariff questions, were dominated by the influence of Ricardo and Mill rather than that of American writers. Professor Turner's book, *The Ricardian Rent Theory in Early American Economics*, endeavors to bring together the doctrines of these neglected writers and to show their contributions to early economic science.

This study was begun and completed eight years ago by Professor Turner, then a graduate student. It is presented as originally written, except for the omission in large part of a sixty page critique of the Ricardian rent doctrine, which is summarized in the first chapter of the book. The body of the study, comprising Chapters II to IX, discusses the views concerning rent, population and related subjects of some fifteen American economists of the period 1820-1880. Of those mentioned, Francis Wayland, Henry C. Carey, Francis Bowen and Arthur L. Perry are best known. This detailed study of each of the writers is followed by a résumé of the doctrines advocated by them, regarding wealth, value, capital, population and rent. Professor Fetter's introduction, dealing with the place of these men and their writings in economic literature, and the extensive bibliography at the end of the study, are worthy additions.

The treatment limits itself to a consideration of the rent doctrine of Ricardo with its necessary implications in the theory of population and the law of diminishing returns. Its chief value lies in a comprehensive treatment of the doctrines of these early writers. The author points out: (1) That they deserve a higher place than was accorded them in Professor Dunbar's article in the *North American Review* (1876); and (2) that they showed an independence of judgment, fostered by their new environment. Students of economic theory will welcome this study in a field previously treated only in scattered articles.

HARRY T. COLLINGS.

University of Pennsylvania.

BOWLEY, ARTHUR L. *Elements of Statistics* 4th Edition, revised. Pp. xi, 459. Price, 24s. London: P. S. King & Son Ltd., 1921.

The first edition of this text was published in 1901, while mathematical statistical analysis was still relatively in its infancy. Developments of method since that time have been great and applications of the more refined methods of analysis have been still greater. In the field of economics, in particular, the first application of the method of correlation to a time series, so far as I am aware, was published in 1901, viz., Hooker's *Study of the Marriage Rate and Trade*. The present revised edition of Bowley's text reflects these developments. In Part I, for instance, dealing with general elementary methods, the chapter on "Application of Averages to Tabulation" has been replaced by one on "Measurements of Dispersion and Skewness."

The more extended changes and additions, however, have been made in Part II, dealing with the applications of mathematics to statistics. This part has been completely rewritten and the treatment of theory is much more detailed and more extended. The author states that his treatment and his selection of examples have been chosen in particular with reference to problems arising in sociological and economic investigations; whereas, as is well known, modern statistical theory has developed largely in connection with biological investigations.

One significant change is noted in his development of theory. In the 1901 edition an effort was made to obtain the principal derivations, e.g. the law of error, by the use of algebra only; in the present edition he very frankly gives up this plan and uses calculus. The field of statistical theory has become so broadened in the last twenty years that a large portion of the literature cannot be read without a knowledge of calculus. Bowley mentions, significantly, in his preface that "no one should attempt to measure correlation till he has studied the theory closely [and critically]"—a viewpoint with which I am in complete sympathy.

It is a joy to note the expansion in this new edition—its extent and its direction.

The number of economists in the United States who are using the newer methods of statistical analysis and who have anything like an adequate mathematical training is still relatively small. More texts like Bowley and Yule, which bring together and summarize the widely scattered results of researches into method, will greatly assist the extension of this knowledge to larger and larger numbers.

BRUCE D. MUDGETT.

University of Minnesota.

TAUSSIG, FRANK WILLIAM. *Selected Readings in International Trade and Tariff Problems*. Pp. x, 566. New York: Ginn and Company, 1921.

These readings are divided into three parts. Part one gives an analysis of the economics of international trade by eminent economists such as Mill, Cairnes, Taussig and Bullock. Part two gives the argument of the classic economists and one or two modern economists for and against free trade. Part three contains the important public documents in the United States, such as excerpts from Hamilton's *Report on Manufactures*, Gallatin's *Free Trade Memorial* and Henry Clay's *Speech on American Industry*.

The average reader will find three articles in these readings of outstanding interest and importance at the present time. One is an article by Messrs. Bullock, Williams and Tucker on "The Balance of Trade in the United States." The second is an article by Adolf Wagner on "Agrarian State Versus Manufacturing State." The third is an article by Lujo Brentano on "The Terrors of the Predominantly Industrial State." These articles are particularly pertinent to the type of discussion we have in this country at this time.

The readings were selected primarily for use in a university class dealing with the tariff but they will prove equally valuable to those desiring to have at hand as a reference book the arguments of the leading economists for and against a high protective tariff. There are excerpts also from the works of Grover Cleveland, William McKinley and Thomas B. Reed.

BARNES, H. E. *The Social History of the Western World*. An Outline Syllabus. Pp. xii, 126. New York: D. Appleton & Co., 1921.

Prospective purchasers of this book should have their attention called to the fact that the book is merely a syllabus in bold outline form of the social history of the Western World. It is not a monograph nor is it a treatise. It is an arrangement of topics carefully chosen with readings indicated without critical comment.

MITCHELL, WESLEY C., et al. *The Income in the United States*. Its Amount and Distribution, 1909-1919. Volume I. New York: Harcourt, Brace & Company, 1921.

The authors of this volume and of Volume II, which is to appear in a few weeks, are connected with the National Bureau of Economic Research. This body was incorporated in 1920 "to conduct quantitative investigations into subjects that affect public welfare," and is already engaged in other studies.

This study of national income was greatly needed and will be of value not only to economists but to legislators and to business men. Separate investigators working independently and with different methods analyzed the national income. Mr. W. I. King, whose inquiry into the same subject several years ago has been our standard work on the subject, estimated the income by sources of production, the "income produced—the statistics of coal and metals mined, lumber cut, crops grown, raw materials transported or manufactured, and the like." Mr. Knauth estimated it by income received, using "income tax returns, reports on wages and salaries, investigations of the profits of farmers, and the like." The two results are analyzed in various ways and are then combined. The final estimate shows a total national income ranging from \$28,800,000,000 in 1909 to \$61,000,000,000 in 1918. Divided by the population of the United States, the per capita income ranges from \$319 in 1909 to \$586 in 1918. These figures, however, are deceptive because of the rise in prices, and are corrected by adjusting them to the price level of 1913.

The total national income thus estimated was \$30,100,000,000 in 1909 and \$38,800,000,000 in 1918, while the per capita income was \$333 in 1913 and \$372 in 1918. Small as these amounts are, they are larger than in any other country. Per capita income in the United States in 1914 was \$335; then followed Australia with \$263; the United Kingdom with \$243; Germany with \$146; Spain with \$54, and Japan with only \$29.

Estimates are also made by Mr. Macaulay of the actual distribution of this income among the various groups of workers and in

other ways; but a brief summary is apt to be misleading, so the reader is referred to the volume itself. There is no doubt that it will be widely read and will meet a very distinct need in this important field. We may add that it will dispel many false notions regarding war prosperity and other matters, although it should also be noted that the authors draw very few conclusions, leaving to the reader the application of their work.

ERNEST MINOR PATTERSON.

University of Pennsylvania.

Notes on Recent German Official Publication

SINCE January, 1921, the Statistical Bureau of the German Federal Government has been publishing a monthly periodical, entitled *Wirtschaft und Statistik* (Economy and Statistics), which should prove an indispensable addition to the various official publications of the present German government. It contains the most important statistical compilations made by the Federal Statistical Bureau, concerning domestic economic conditions, and presents them clearly and comprehensively as they are compiled from month to month. It also includes detailed comparative statistics pertaining to general financial and industrial conditions in various foreign countries, including the United States.

The reports deal with all phases of economic activity, such as production and consumption, trade and commerce, wholesale and retail prices, wages in various industries, money and finance, territorial problems and movement of population. Much of the statistical material is supplemented with detailed graphs and charts.

The periodical is to appear as a semi-monthly publication in the near future. As no public revenues are available for the purpose, the proceeds derived from the sale of the periodical must defray the expenses of publication. Consequently it is not available for free exchange.

A second important German government publication is the *Reichs-Arbeitsblatt*, (Federal Labor Journal) the official organ of the Department of Labor and the Federal Employment Bureau. It is pub-

lished semi-monthly, the new series of this journal dating from September, 1920.

The periodical contains an official and an unofficial division. The former includes the latest labor legislation, labor agreements, trade union regulations, building and housing laws and labor compensation acts. The latter includes a monthly survey of the labor market in Germany, statistical data on unemployment in various occupations and professions and cost of living statistics. This information is followed by a series of special articles written by government officials. These articles deal primarily with general labor problems. In addition, it contains a résumé of economic and unemployment conditions in foreign countries. Finally, it includes a bibliography of all official reports and publications received by the Department of Labor during the month, together with a brief review of the most important of these publications.

Both of the above periodicals are published by Reimer Hobbing, Berlin, S. W. 61, Grossbeerenstrasse 17. The annual subscription price of the former in Germany is 36 marks, and of the latter 80 marks. These publications should prove a valuable addition to the reference library of anyone interested particularly in the general economic conditions in Central Europe.

A communication, recently received from the German Red Cross Committee in Frankfurt am Main, calls attention to a collection of *War Literature on Belgium*, 1914-1918, contained in the archives of this committee.

The collection includes all publications concerning Belgium during the World War, the detailed catalogue listing more than three thousand individual documents, books, periodicals, pamphlets, posters, placards and pictures. In its completeness this collection offers excellent source material for thorough-going study of the Belgian problem during the war, for it also contains an abundance of rare secret documents.

The table of contents of the catalogue lists the following items:

1. German official reports concerning Belgian problems (political, economic, etc.).
2. Books and pamphlets concerning German administration, as well as domestic and foreign policies in Belgium.
3. Historical background of the War and propaganda literature.
4. The Walloon movement in occupied Belgium. (Books and pamphlets.)
5. Questions concerning militarism and atrocities. (Books and pamphlets.)
6. Flemish movement in the occupied territory including problems dealing with public instruction and the University of Ghent as well as the problem of language and the Council of Flanders.
7. Belgian secret press. (Books and pamphlets.)
8. Belgian and Flemish literature.

9. Individual items, mounted, such as circulars, pictures, cards representing King Albert and his household, the deportation, circulars by Cardinal Mercier and concerning him, leaflets scattered by aviators over Belgium, documentary evidence concerning the Belgian secret press and pamphlets dealing with the Flemish movement.

10. Periodicals, including newspapers discussing the Walloon Movement in Belgium and beyond the border, as well as Walloon periodicals, complete file of German official correspondence pertaining to Belgium, extracts from the *Daily Press*, the official organ intended only for administrative purposes, periodicals of the Belgian secret press, including an almost complete original authentic copy of the well known secret newspaper *La Libre Belgique*, and lastly newspapers from occupied Belgium, both single copies and files.

11. Posters, four hundred photographs and two hundred originals.

12. Picture placards advertising the theatre, sport and art.

The entire collection is offered for sale, in whole or in part, by the Red Cross Committee of Frankfurt am Main, Goethestrasse 4, the stipulated price for the collection being one thousand dollars.

KARL SCHOLZ.

University of Pennsylvania.

Report of the Board of Directors of the American Academy of Political and Social Science for the Year Ending December 31, 1921

I. REVIEW OF THE ACADEMY'S ACTIVITIES

WITH each year the Academy carries forward towards more complete realization the great purposes for which it was founded. The existence of a national forum free from all political and partisan affiliations is of inestimable value in a democracy such as ours. Through the Academy's efforts, both in its publications and at its sessions, an ever increasing body of valuable material is made available to the American public. With each year the Academy is becoming an increasingly important factor in the enlightenment of public opinion, and the confidence which it inspires and enjoys in all sections of the country, is a source of great strength to our work and should also be reason for just pride to every member.

Throughout the year the Academy has enjoyed the devoted and unselfish efforts of an Editorial Council under the able leadership of Dr. Clyde L. King, and your Board desires to avail itself of this opportunity to acknowledge and express a deep sense of the obligation which we all owe to the members of this Board, and to those outside the Board who have undertaken the editorship of special volumes.

Your Board desires again to emphasize the importance of securing for the Academy a special endowment fund for the purpose of extending the research activities of the Academy. Those in charge of the Academy's activities should be placed in a position to engage the services of highly trained investigators to prepare special reports on the important economic, industrial and social problems confronting the country. We are in hopes that through the coöperation of the members of the Academy, it will be possible to secure such a fund for research work, and in addition, a fund sufficient to provide the Academy with the building so urgently needed to make its work more effective.

Your Board is of the opinion that the time has arrived when the Academy should undertake exhaustive investigations of the problems of national importance through the establishment of annual fellowships. As a first step in this direction, the Academy established a research fellowship for a period of one year for the purpose of securing a careful scientific study of the economic and social conditions in Haiti and the Dominican Republic. Dr. Carl Kelsey, Professor of Sociology at the University of Pennsylvania, was appointed to this fellowship and has just returned from a study of the conditions in these two republics. In the March issue of the *Annals* (1922) the results of this study will appear in a special monograph.

II. PUBLICATIONS

During the year 1921 the Academy published the following special volumes:

Present Day Immigration (with Special Reference to the Japanese) January.

The International Trade Situation (March).

Taxation and Public Expenditures (May).

The Place of the United States in a World Organization for the Maintenance of Peace (July).

The Revival of American Business (September).

Thirtieth Anniversary Index (September Supplement).

Child Welfare (November).

Austria Today (November Supplement).

III. MEETINGS

During the year that has just come to a close the Academy held the following sessions:

February 19, Some Present Day International Problems.

April 2, Shall Europe's War Debt to the United States be Cancelled?

May 13 and 14, The Twenty-Fifth An-

nual Meeting. The Place of the United States in a World Organization for the Maintenance of Peace.

November 5, Unemployment and Its Remedies.

December 3, Russia and Her Problems.

IV. MEMBERSHIP

During the year 1921 the Academy received 1,811 new members and 212 new subscriptions, or a total of 1,523. The Academy lost 48 members by death; 504, by resignation; and 263 delinquents were dropped. The present membership of the Academy is 6,533 members and 1,358 subscribers or a total of 7,891.

V. FINANCIAL CONDITION

The receipts and expenditures of the Academy for the fiscal year just ended are clearly set forth in the treasurer's report. The accounts were submitted to Messrs. E. P. Moxey and Company for audit, and copy of their statement is appended herewith. In order to lighten the expenses incident to the Annual Meeting a fund of \$1,525 was raised.

The Board desires to take this opportunity to express its gratitude to the contributors to this fund.

VI. CONCLUSION

In conclusion, your Board desires to say that it has endeavored to the best of its ability to carry out the important duties entrusted to it by the members of the Academy.

To make this work more effective, however, the Academy needs the more active interest and coöperation of members in every section of the country. There is no section which is not well represented by leaders of thought and action. Through

their efforts the influence of the Academy can be strengthened in every state of the Union, and your Board desires to take this opportunity to make a plea for a more active participation of the members in our work.

January 13th, 1922.

CHARLES J. RHOADS, ESQ., TREAS.,
American Academy of Political and Social Science, Philadelphia, Pa.

Dear Sir:—

We herewith report that we have audited the books and accounts of the American Academy of Political and Social Science for its fiscal year ended December 31, 1921.

We have prepared and submit herewith statement of receipts and disbursements during the above indicated period, together with statement of assets as at December 31, 1921.

The receipts from all sources were verified by a comparison of the entries for same appearing in the treasurer's cash book with the record of bank deposits and were found to be in accord herewith.

The disbursements, as shown by the cash book, were supported by proper vouchers. These vouchers were in the form of cancelled paid checks or receipts for moneys expended. These were examined by us and verified the correctness of the payments made.

The investment securities listed in the statement of assets were examined by us and were found to be correct and in accord with the books.

As the result of our audit and examination we certify that the statements submitted herewith are true and correct.

Yours respectfully,

EDWARD P. MOXEY & Co.,
Certified Public Accountants.

AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE

STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR FISCAL YEAR

ENDED DECEMBER 31, 1921

Cash Deficit January 1, 1921..... \$431.54

Receipts

Members' Dues.....	\$36,860.23	
Life Memberships.....	150.00	
Special Donations.....	1,629.00	
Subscriptions.....	7,920.73	
Sales of Publications.....	4,350.87	
Interest on Investment and Bank Balances.....	6,006.09	
Sundries.....	173.08	
		<u>57,090.00</u>

Disbursements

Office Expense*.....	\$9,402.14	
Philadelphia Meetings.....	4,681.25	
Publicity Expense.....	7,196.71	
Publication of The Annals.....	29,199.44	
Membership Records.....	3,671.68	
		<u>\$54,965.39</u>

Cash Balance December 31, 1921..... \$1,693.07

Assets

Investments (book value).....		\$117,376.27
Cash:		
In Academy Office.....	\$400.00	
In Treasurer's Hands, Girard Trust Company.....	1,293.07	
		<u>1,693.07</u>
		<u>\$119,069.34</u>

* Of this amount, \$1,500 was paid to Dr. Carl Kelsey for research work on the island of Haiti and Santo Domingo. In 1920, \$1,000 was advanced for this same purpose.

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